2008

BOARD OF DIRECTORS REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

(Translation into English of the original Italian version)

SOGEFI

OVERVIEW OF GROUP RESULTS

(in millions of Euro)	*2005*		*2006*		*2007*		*2008*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	*1,023.4*	*100.0%*	*1,018.6*	*100.0%*	*1,071.8*	*100.0%*	*1,017.5*	*100.0%*
EBITDA	*126.9*	*12.4%*	*128.5*	*12.6%*	*134.6*	*12.6%*	*104.9*	*10.3%*
Operating profit	*105.6*	*10.3%*	*106.6*	*10.5%*	*113.6*	*10.6%*	*87.6*	*8.6%*
Ebit	*81.0*	*7.9%*	*83.5*	*8.2%*	*89.9*	*8.4%*	*62.4*	*6.1%*
Profit before taxes and minority interests	*67.1*	*6.6%*	*74.9*	*7.4%*	*80.6*	*7.5%*	*48.2*	*4.7%*
Net profit	*44.7*	*4.4%*	*50.8*	*5.0%*	*52.2*	*4.9%*	*28.5*	*2.8%*
Self-financing	*91.9*		*91.2*		*94.8*		*66.3*	
Free cash flow	*53.2*		*58.6*		*55.9*		*(6.9)*	
Net financial position	*(167.3)*		*(126.3)*		*(92.4)*		*(257.2)*	
Total shareholders' equity	*261.3*		*295.7*		*326.7*		*178.3*	
GEARING	*0.64*		*0.43*		*0.28*		*1.44*	
ROI	*19.0%*		*19.6%*		*21.4%*		*14.6%*	
ROE	*19.7%*		*19.3%*		*17.7%*		*12.1%*	
Number of employees at December 31	*6,171*		*6,168*		*6,208*		*6,100*	
Dividends per share (Euro)	*0.175*		*0.20*		*0.22*	*(*)*	*-*	*(**)*
EPS (Euro)	*0.406*		*0.457*		*0.465*		*0.250*	
Average annual price per share	*4.3572*		*5.4643*		*6.5352*		*2.8443*	

(*) plus € 1.18 as extraordinary dividend per share
(**) as proposed by the Board of Directors to the Shareholders' Meeting

STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock (values in €) alongside the All STARS index, from January to December 2008.

REPORT OF THE BOARD OF DIRECTORS
ON OPERATIONS IN 2008

Shareholders,

The serious financial and economic crisis that has hit world markets had a considerable impact on the performance and results of the SOGEFI Group in 2008.
In the last quarter of 2008, world automobile production and as a consequence the demand for components, experienced a significant, sudden and generalised contraction, which, although tackled by immediate cost reduction measures, inevitably led to a considerable deterioration of the Group's profit margins, as can be seen from the Overview of results on page 120.

The Group therefore sought to improve its competitive position in the original equipment market, competing against the usual competitors (Mubea, NHK and ThyssenKrupp for suspension components, and Mann & Hummel, Mahle and Ufi in the filtration sector), substantially maintaining its market share in both the independent aftermarket and original equipment spares.

***Consolidated revenues**, which were substantially in line with the previous year until September, fell drastically in the last quarter and at year end were down 5.1%, amounting to € 1,017.5 million compared to € 1,071.8 million in 2007.*
The trend in exchange rates, particularly the British pound, also had a negative impact on results for the year; at the same exchange rates, consolidated revenues would have amounted to € 1,039.9 million (-3% compared to 2007).

The Group's sales trend in its principal markets was substantially in line with their evolution, which saw a 7.8% fall in new vehicle registrations in the European Union, a 7.2% increase in production in Brazil, an 18% fall in sales in the US and a further increase of 6.8% in the Chinese market.
Even the Japanese market, where however SOGEFI does not operate, recorded a 4.4% fall in sales.
In Europe, all markets recorded poor performance, with sales of new vehicles down 13.4% in the domestic market, 28.1% in Spain, 1.8% in Germany, 0.7% in France and 11.3% in the UK.
The highly negative trend of the last few months of the year did not just regard cars, but also the industrial vehicles, excavation and agricultural machinery sectors.

The lower purchasing propensity of final consumers also had a drastic effect on the performance of sales in the European spare parts market, with significant falls in demand in the Italian, Spanish and UK markets, while figures in the French market were unchanged. The markets in South America also maintained levels of demand in line with those of the previous year.

The filtration sector suffered the highest fall in revenues, whereas the suspension components sector, also as a result of the increase in sales prices applied to counterbalance the increase in the cost of steel, succeeded in maintaining the revenues recorded in the previous year.

(in millions of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
Filters	*497.5*	*48.9*	*548.2*	*51.2*
Suspension components and precision springs	*521.9*	*51.3*	*524.6*	*48.9*
Intercompany eliminations	*(1.9)*	*(0.2)*	*(1.0)*	*(0.1)*
TOTAL	*1.017.5*	*100.0*	*1,071.8*	*100.0*

Along with the rise in sales in the suspensions sector, the share of revenues made in original equipment further increased:

(in millions of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
Original Equipment (O.E.)	*680.6*	*66.9*	*698.3*	*65.1*
Independent Aftermarket (I.A.M.)	*210.8*	*20.7*	*234.6*	*21.9*
Original Equipment Spares (O.E.S.)	*126.1*	*12.4*	*138.9*	*13.0*
TOTAL	*1,017.5*	*100.0*	*1,071.8*	*100.0*

As shown in the table below, a breakdown of revenues by market shows that the French market continues to be the most important (21.6% of the total), that the share of the German market has increased (15.2%) and that revenues from the UK market have fallen further still, also as a result of the depreciation of the British pound against the Euro.
The share of revenues in Mercosur has increased further (17.2%), contrasting the significant reduction of the US market.

(in millions of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
France	*220.2*	*21.6*	*250.9*	*23.4*
Germany	*155.0*	*15.2*	*141.4*	*13.2*
Great Britain	*109.5*	*10.8*	*126.7*	*11.8*
Italy	*90.9*	*8.9*	*105.8*	*9.9*
Benelux	*63.7*	*6.3*	*71.4*	*6.7*
Spain	*61.3*	*6.0*	*75.1*	*7.0*
Other European countries	*107.2*	*10.5*	*108.5*	*10.1*
Mercosur	*175.1*	*17.2*	*148.5*	*13.9*
United States	*19.3*	*1.9*	*26.0*	*2.4*
China	*5.6*	*0.5*	*6.0*	*0.6*
Rest of the World	*9.7*	*1.1*	*11.5*	*1.0*
TOTAL	*1,017.5*	*100.0*	*1,071.8*	*100.0*

Again in 2008, the Renault Nissan Group confirmed its status of the Group's leading customer (12% of the total) and PSA returned to being the second largest customer (11%), with Ford-Volvo falling to third place (10.7%). It is interesting to note the growth over the year of business with German customers (Daimler, Volkswagen, Man).

(in millions of Euro)	*2008*		*2007*	
Group	*Amount*	*%*	*Amount*	*%*
Renault/Nissan	*122.1*	*12.0*	*140.4*	*13.1*
PSA	*112.2*	*11.0*	*117.5*	*11.0*
Ford/Volvo	*109.3*	*10.7*	*119.8*	*11.2*
FIAT/IVECO	*87.9*	*8.6*	*88.7*	*8.3*
Daimler	*75.5*	*7.4*	*65.6*	*6.1*
Volkswagen/Audi	*66.4*	*6.5*	*61.0*	*5.7*
DAF/Paccar	*40.2*	*4.0*	*36.8*	*3.4*
GM	*33.6*	*3.3*	*32.2*	*3.0*
Toyota	*18.7*	*1.8*	*19.9*	*1.9*
Honda	*10.5*	*1.0*	*11.1*	*1.0*
Man	*10.4*	*1.0*	*6.3*	*0.6*
Caterpillar	*9.4*	*0.9*	*9.1*	*0.8*
Chrysler	*4.6*	*0.5*	*7.0*	*0.7*
Other	*316.7*	*31.3*	*356.4*	*33.2*
TOTAL	*1,017.5*	*100.0*	*1,071.8*	*100.0*

In 2008, SOGEFI confirmed its technological leadership in engine oil and diesel filter systems and, in the suspensions sector, in stabilizer bars and stabilinks.

Looking at the breakdown of sales by product line, the fall in sales of torsion bars and petrol filters is also due to the progressive fall in the use of these products on new cars.

(in millions of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
Oil filters	*248.8*	*24.4*	*286.2*	*26.7*
Stabilizer bars	*209.4*	*20.6*	*207.0*	*19.3*
Coil springs	*138.0*	*13.6*	*144.2*	*13.5*
Air filters	*112.0*	*11.0*	*123.6*	*11.5*
Diesel filters	*71.7*	*7.0*	*80.2*	*7.5*
Leaf springs	*85.3*	*8.4*	*72.4*	*6.8*
Precision springs	*27.4*	*2.7*	*33.3*	*3.1*
Torsion bars	*24.6*	*2.4*	*30.7*	*2.9*
Petrol filters	*21.1*	*2.1*	*22.8*	*2.1*
Stabilinks	*19.6*	*1.9*	*18.7*	*1.7*
Cabin filters	*15.1*	*1.5*	*17.9*	*1.7*
Spring groups	*6.6*	*0.6*	*6.3*	*0.6*
Other	*37.9*	*3.8*	*28.5*	*2.6*
TOTAL	*1,017.5*	*100.0*	*1,071.8*	*100.0*

The table below shows the Group's consolidated income statement:

(in millions of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
Sales revenues	*1,017.5*	*100.0*	*1.071.8*	*100.0*
Variable cost of sales	*681.7*	*67.0*	*699.4*	*65.3*
CONTRIBUTION MARGIN	*335.8*	*33.0*	*372.4*	*34.7*
Manufacturing and R&D overheads	*107.3*	*10.5*	*115.2*	*10.7*
Depreciation and amortization	*42.5*	*4.2*	*44.7*	*4.2*
Distribution and sales fixed expenses	*35.9*	*3.5*	*38.4*	*3.6*
Administrative and general expenses	*62.5*	*6.2*	*60.5*	*5.6*
OPERATING PROFIT	*87.6*	*8.6*	*113.6*	*10.6*
Restructuring costs	*11.5*	*1.1*	*7.6*	*0.7*
Losses (gains) on disposal	-	-	*(4.6)*	*(0.4)*
Exchange (gains) losses	*2.2*	*0.2*	*0.9*	*0.1*
Other non-operating expenses (income)	*11.5*	*1.2*	*19.8*	*1.8*
EBIT	*62.4*	*6.1*	*89.9*	*8.4*
Financial expenses (income), net	*14.0*	*1.4*	*9.4*	*0.9*
Losses (gains) from equity investments	*0.2*	-	*(0.1)*	-
PROFIT BEFORE TAXES AND MINORITY INTERESTS	*48.2*	*4.7*	*80.6*	*7.5*
Income taxes	*16.8*	*1.7*	*25.4*	*2.4*
NET PROFIT BEFORE MINORITY INTERESTS	*31.4*	*3.0*	*55.2*	*5.1*
Loss (income) attributable to minority interests	*(2.9)*	*(0.2)*	*(3.0)*	*(0.2)*
GROUP NET PROFIT	*28.5*	*2.8*	*52.2*	*4.9*

In addition to lower sales and the exchange rate trend, profits for the year were also influenced by consistent increases throughout the year in the prices of several materials, which account for a considerable share of the costs of the product and by high industrial reorganisation charges which were not offset by gain on disposal of fixed assets as had occurred in previous years.
The price of the material that has the highest impact on Group costs, special steel for suspensions, recorded an increase of over 25% during the course of the year, just as the prices of other raw materials and components, in particular oil by-products, rose considerably following rises in market prices.
The higher costs of materials incurred at the end of the year for which existing contracts could not be renegotiated were substantially transferred to sale prices with a delay of a few months. The percentage represented by materials on sales therefore increased to 46.9% in 2008, from 45.4% in the previous year.

At consolidated level, the cost of labour as a percentage of sales rose from 21.4% in 2007 to 22.1%, also following the rapid rise in inflation in South America and due to the objective difficulty of immediately gearing the labour force to the rapid and significant fall in sales in the last few months of the year.

At the end of the year, the total number of employees of the Group fell by 1.7%, following measures adopted to adjust numbers to the fall in production by not renewing the contracts of temporary staff, closing the Spanish plant in Oyartzun (64 employees) and the plant in Mantua (88 employees dismissed and 104 on extraordinary redundancy benefits), and by adopting, where permitted by law, cushions such as redundancy benefits in Italy and chômage technique *in France.*

The total number of employees as of December 31, 2008 include 155 employees belonging to the two new joint ventures of the Filtration Division in India. Maintaining the same scope of consolidation, the Group's total workforce would have been 5,945 (-4.2%), while active employees only (i.e. excluding those on redundancy benefits and similar) total 5,676, a fall of 5.7% compared to December 31, 2007.

The workforce as of December 31, 2008 can be broken down by division as follows:

	12.31.2008		12.31.2007	
	Number	%	Number	%
Filters	3,516	57.6	3,629	58.5
Suspension components and precision springs	2,558	41.9	2,544	41.0
Other	26	0.5	35	0.5
TOTAL	6,100	100.0	6,208	100.0

while the breakdown by category sees a considerable change in the number of direct blue collar workers:

	12.31.2008		12.31.2007	
	Number	%	Number	%
Managers	87	1.4	86	1.4
Clerical staff	1,434	23.5	1,401	22.5
Direct blue collar workers	3,588	58.9	3,722	60.0
Indirect blue collar workers	991	16.2	999	16.1
TOTAL	6,100	100.0	6,208	100.0

*The **consolidated contribution margin** for the year amounted to € 335.8 million (33% of sales), compared to € 372.4 million (34.7% of sales) in 2007.*

***Consolidated operating profit** fell by 22.8% to € 87.6 million (8.6% of sales), from 113.6 million (10.6% of sales) in 2007.*

Cost-cutting measures, particularly structural ones, were promptly implemented to counterbalance the fall in revenues. Even though the full effect of these measures was not felt in 2008, structural costs fell to € 248.2 million (24.4% of sales) from the previous 258.8 million (24.1% of sales).

Furthermore, in 2008, the Group undertook considerable industrial reorganisation, closing the two previously mentioned filtration sector plants (Oyartzun in Spain and Mantua in Italy) and reducing the workforce in all business sectors and at the main production sites, incurring charges of € 11.5 million, an increase of 51.8% compared to 7.6 million in 2007.
In 2007, other charges amounting to € 5.3 million were budgeted for activities related to acquisitions, which were then not made, but that were counterbalanced by entries amounting to € 9 million for the revaluation of plants, capital gains on assets sold and positive liability adjustments, which the year in question did not benefit from.

*Consequently, as a result of lower operating profits and the considerable worsening of extraordinary items compared to the previous year, **consolidated EBITDA** (earnings before interest, tax, depreciation and amortisation) amounted to € 104.9 million (10.3% of sales), compared to 134.6 million (12.6% of sales) in 2007 and **consolidated EBIT** (earnings before interest and tax) amounted to € 62.4 million (6.1% of sales) compared to 89.9 million (8.4% of sales) recorded in the previous year.*

***Profit before taxes and minority interests** fell by 40.1% compared to the previous year, totalling € 48.2 million against 80.6 million, also due to the increase in financial charges of € 4.6 million, resulting from the rise in indebtedness following the distribution of ordinary and extraordinary dividends amounting to € 159.5 million.*

***Consolidated net profit** for the year was € 28.5 million (2.8% of sales), down 45.4% compared to the 52.2 million (4.9% of sales) recorded in 2007.*

***EPS** (net earnings per share) for the year was € 0.250 compared with € 0.465 of the previous year, with an average number of shares (net of treasury shares) that rose from 112,152,816 to 113,843,920.*

*As of December 31, 2008, the **consolidated net financial position** showed indebtedness of € 257.2 million (92.4 million twelve months earlier) following the previously cited disbursements for dividends.*

The table below provides a breakdown of net financial indebtedness compared with the previous year:

(in millions of Euro)	*12.31.2008*	*12.31.2007*
Cash, banks, financial receivables and securities held for trading	*50.3*	*64.7*
Medium/long-term financial receivables	-	-
Short-term financial debts (*)	*(55.9)*	*(26.6)*
Medium/long-term financial debts	*(251.6)*	*(130.5)*
NET FINANCIAL POSITION	*(257.2)*	*(92.4)*

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

The table below shows the changes in cash flow over the year:

(in millions of Euro)	*Note (*)*	*2008*	*2007*
SELF-FINANCING	*(f)*	*66.3*	*94.8*
Change in net working capital		*(9.6)*	*4.9*
Other medium/long-term assets/liabilities	*(g)*	*(1.9)*	*(1.8)*
CASH FLOW GENERATED BY OPERATIONS		***54.8***	***97.9***
Sale of equity investments	*(h)*	*0.3*	-
Net decrease from sale of fixed assets	*(i)*	*0.3*	*2.9*
TOTAL SOURCES		*55.4*	*100.8*
Increase in intangible assets		*14.4*	*11.1*
Purchase of tangible assets		*41.1*	*35.9*
Purchase of equity investments		*4.9*	-
TOTAL APPLICATION OF FUNDS		*60.4*	*47.0*
Net financial position of subsidiaries purchased/sold during the year		*(0.2)*	-
Exchange differences on assets/liabilities and equity	*(l)*	*(1.7)*	*2.1*
FREE CASH FLOW		***(6.9)***	***55.9***
Holding Company increases in capital		*4.8*	*3.6*
Net purchase of treasury share		*(1.2)*	-
Increases in share capital of consolidated subsidiaries		*1.0*	*0.3*
Dividends paid by the Holding Company to shareholders		*(159.5)*	*(22.4)*
Dividends paid by subsidiaries to minority interests		*(3.0)*	*(3.5)*
CHANGES IN SHAREHOLDERS' EQUITY		*(157.9)*	*(22.0)*
Change in net financial position	*(m)*	***(164.8)***	***33.9***
Opening net financial position	*(m)*	***(92.4)***	***(126.3)***
CLOSING NET FINANCIAL POSITION	*(m)*	***(257.2)***	***(92.4)***

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

*The **consolidated capital structure** as of December 31, 2008 shows **consolidated equity** of € 160.9 million, down 48.2% on the figure of 310.9 million recorded at the end of the previous year, due to the previously cited distribution of dividends:*

(in millions of Euro)	*Note (*)*	*12.31.2008*		*12.31.2007*	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	*(a)*	*322.2*		*352.5*	
Short-term operating liabilities	*(b)*	*(210.0)*		*(243.6)*	
Net working capital		*112.2*	*25.8*	*108.9*	*26.0*
Investments	*(c)*	*0.5*	*0.1*	*0.6*	*0.1*
Intangible, tangible fixed assets and medium and long-term assets	*(d)*	*399.9*	*91.8*	*395.6*	*94.4*
CAPITAL INVESTED		*512.6*	*117.7*	*505.1*	*120.5*
Other medium and long-term liabilites	*(e)*	*(77.1)*	*(17.7)*	*(86.0)*	*(20.5)*
NET CAPITAL INVESTED		*435.5*	*100.0*	*419.1*	*100.0*
Net financial position		*257.2*	*59.1*	*92.4*	*22.0*
Minority interests		*17.4*	*4.0*	*15.8*	*3.8*
Consolidated equity of the Group		*160.9*	*36.9*	*310.9*	*74.2*
TOTAL		*435.5*	*100.0*	*419.1*	*100.0*

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

***ROI**, return on investment, was 14.6% (21.4% in 2007) and **ROE**, return on equity, was 12.1% (17.7% last year).*

*The net financial position/total equity ratio (**GEARING**) rose from 0.28 as of December 31, 2007 to 1.44 at the end of 2008.*

*As of December 31, 2008, the ratio of **net financial position** to **EBITDA** rose to 2.45 from 0.69.*

As regards the equity-financial structure, it should be noted that the ratio of Group equity to non-current assets fell from 0.78 as of December 31, 2007 to 0.40 at the end of 2008. This ratio is higher than one if minority interests and long/medium-term liabilities are considered, even though recording a slight fall from 1.37 as of December 31, 2007 to 1.27 at the end of 2008.

In 2008, the Group invested € 41.1 million in optimising production capacity and automating processes, as well as developing business in the suspensions sector in China and the filtration sector in the US, compared with € 35.9 million in the previous year.

Research activities for the development of new technologies and innovation of the product range entailed costs of € 20.5 million (2% of sales) compared to 21.7 million in 2007 (2% of sales). In 2008, 6 new patents were registered by the Filtration Division and 1 new patent by the Suspensions Division.

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

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

Net profit for the year

(in millions of Euro)	*2008*	*2007*
Net profit per Sogefi S.p.A. financial statements	*29.2*	*26.0*
Group share of results of subsidiary companies included in the consolidated financial statements	*35.0*	*57.3*
Writedowns of equity investments in Sogefi S.p.A.	*4.6*	*5.2*
Elimination of intercompany dividends received by Sogefi S.p.A.	*(40.8)*	*(34.5)*
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	*0.5*	*(1.8)*
NET PROFIT PER CONSOLIDATED FINANCIAL STATEMENTS	*28.5*	*52.2*

Shareholders' equity

(in millions of Euro)	*12.31.2008*	*12.31.2007*
Shareholders' equity per Sogefi S.p.A. financial statements	*130.3*	*258.2*
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	*49.2*	*70.6*
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	*(18.6)*	*(17.9)*
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	*160.9*	*310.9*

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

The Holding Company, Sogefi S.p.A., closed 2008 with a net profit of € 29.2 million, up 12.2% compared to € 26 million recorded in the previous year.
The main revenue and expense items are shown in the Company's ***reclassified income statement*** *below:*

(in millions of Euro)	*2008*	*2007*
Financial income/expenses and dividends	*35.5*	*34.1*
Adjustments to financial assets	*(4.6)*	*(5.2)*
Other operating revenues	*10.4*	*8.2*
Operating costs	*(13.4)*	*(10.9)*
Other non-operating income (expenses)	*(0.4)*	*(6.8)*
PROFIT BEFORE TAXES	*27.5*	*19.4*
Income taxes	*(1.7)*	*(6.6)*
NET PROFIT	*29.2*	*26.0*

The € 1.4 million increase in "Financial income/expenses and dividends" was generated by higher dividends distributed by subsidiaries amounting to € 6.3 million (€ 40.8 million in 2008 against 34.5 million in the previous year) and was partially offset by the € 4.9 million rise in net financial expenses, mainly due to the higher indebtedness of the Company compared to last year.

In 2008, "Other operating revenues" rose mainly due to the effect of royalties paid from the second half of the year on sublicense agreements for the use of the FRAM trademark with subsidiaries of the Filters Divisions.
The 22.8% increase in "Operating costs" compared to the previous year is mainly due to royalties relating to the period paid to Honeywell International Inc. pursuant to the agreement to use the FRAM trademark signed on June 30, 2008.
The 2008 profit figure benefitted from lower non-operating expenses compared to 2007, in which provisions for expenses of € 5.3 million had been made for consulting costs to support acquisition projects that were not completed.
"Profit before taxes" of € 27.5 million is 41.5% up on the previous year.
The fall in "Income taxes" is mainly due to the inclusion in 2007 of a benefit relating to the reversal of deferred tax liabilities amounting to € 4.4 million, following the recognition for tax purposes of the fair value of real estate investments as of January 1, 2008.

*As regards the **balance sheet**, the following table shows the main items as of December 31, 2008, compared with the figures recorded at the end of the previous year:*

(in millions of Euro)	*Note (*)*	*12.31.2008*	*12.31.2007*
Short-term assets	*(n)*	*6.3*	*5.4*
Short-term liabilities	*(o)*	*(4.1)*	*(4.4)*
Net working capital		*2.2*	*1.0*
Investments	*(p)*	*264.3*	*260.6*
Other fixed assets	*(q)*	*28.2*	*27.5*
CAPITAL INVESTED		*294.7*	*289.1*
Other medium and long-term liabilities	*(r)*	*(1.5)*	*(1.4)*
NET CAPITAL INVESTED		*293.2*	*287.7*
Net financial position		*162.9*	*29.5*
Shareholders' equity		*130.3*	*258.2*
TOTAL		*293.2*	*287.7*

(*) 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 "Investments" refers mainly to an increase in the share capital of the American subsidiary.
Shareholders' equity has fallen significantly, totalling € 130.3 million, compared with € 258.2 million as of December 31, 2007.
This fall is due to the distribution of dividends approved by the Shareholders' Meeting held on April 22, 2008, amounting to € 159.5 million, only partially offset by the profit figure recorded for 2008.

*The **net financial position**, summarised below, has significantly deteriorated, with an increase in net indebtedness of € 133.4 million. The higher level of indebtedness is mainly due to the previously mentioned distribution of dividends approved by the Shareholders' Meeting held on April 22, 2008.*

(in millions of Euro)	*12.31.2008*	*12.31.2007*
Cash, banks, financial receivables and securities held for trading	*6.9*	*3.9*
Medium/long-term financial receivables	*125.5*	*121.9*
Short-term financial debts (*)	*(62.3)*	*(53.6)*
Medium/long-term financial debts	*(233.0)*	*(101.7)*
NET FINANCIAL POSITION	*(162.9)*	*(29.5)*

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

*The table below illustrates the **cash flow statement** of Sogefi S.p.A.:*

(in millions of Euro)	*Note (*)*	*2008*	*2007*
SELF-FINANCING	*(s)*	*33.7*	*29.3*
Change in net working capital		*(1.2)*	*(4.6)*
Other medium/long term assets/liabilities	*(t)*	*(1.4)*	*-*
CASH FLOW GENERATED BY OPERATIONS		***31.1***	***24.7***
Sale of equity investments		*0.2*	*-*
TOTAL SOURCES		*31.3*	*24.7*
Purchase of tangible assets		*0.3*	*0.2*
Purchase of equity investments		*8.5*	*10.1*
TOTAL APPLICATION OF FUNDS		*8.8*	*10.3*
FREE CASH FLOW		***22.5***	***14.4***
Holding Company increases in capital		*4.8*	*3.6*
Net purchase of treasury shares		*(1.2)*	*-*
Dividends paid by the Holding Company		*(159.5)*	*(22.4)*
CHANGES IN SHAREHOLDERS' EQUITY		*(155.9)*	*(18.8)*
Change in net financial position	*(u)*	***(133.4)***	***(4.4)***
Opening net financial position	*(u)*	***(29.5)***	***(25.1)***
CLOSING NET FINANCIAL POSITION	*(u)*	***(162.9)***	***(29.5)***

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

*The above **cash flow statement** highlights the principal changes during the year. In 2008, Free Cash Flow generated was € 22.5 million, representing an increase of 55.5% compared to the previous year.*

PERFORMANCE BY BUSINESS DIVISION

FILTRATION DIVISION

The table below shows the main economic and financial indicators for the year, compared to those of the previous three years:

KEY ECONOMIC DATA

(in millions of Euro)	*2005*	*2006*	*2007*	*2008*	*var. '08 vs '07*
Sales revenues	*518.5*	*527.2*	*548.2*	*497.5*	*-9.3%*
EBITDA	*68.5*	*70.2*	*67.8*	*44.0*	*-35.0%*
Operating profit	*56.7*	*58.1*	*57.7*	*43.2*	*-25.1%*
Ebit	*50.0*	*51.9*	*49.1*	*26.6*	*-46.0%*
Net profit	*34.1*	*34.4*	*33.3*	*16.6*	*-50.1%*

KEY FINANCIAL DATA

(in millions of Euro)	*2005*	*2006*	*2007*	*2008*	*var. '08 vs '07*
Shareholders' equity	*129.7*	*134.9*	*142.9*	*122.1*	*-14.6%*
Net financial position	*0.7*	*10.9*	*25.9*	*(4.5)*	*-117.5%*

OTHER INDICATORS

	2005	*2006*	*2007*	*2008*	*var. '08 vs '07*
Number of employees	*3,488*	*3,603*	*3,629*	*3,516*	*-3.1%*

The performance of the Division in 2008, broken down by geographical area is shown below:

(in millions of Euro)	*FILTER DIVISION EUROPE*		*FILTER DIVISION SOUTH AMERICA*		*Other Entities*	*Intercomp. elimin.*	*TOTAL FILTER DIVISION*	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*Amount*	*%*
Sales revenues	*401.8*	*100.0*	*98.2*	*100.0*	*0.2*	*(2.7)*	*497.5*	*100.0*
Operating profit	*30.7*	*7.6*	*13.5*	*13.8*	*(1.2)*	*0.2*	*43.2*	*8.7*
EBIT	*14.7*	*3.7*	*12.8*	*13.0*	*(1.2)*	*0.3*	*26.6*	*5.3*
Profit before taxes	*18.4*	*4.6*	*12.6*	*12.8*	*(1.3)*	*(4.7)*	*25.0*	*5.0*
Net profit	*14.2*	*3.5*	*8.5*	*8.6*	*(1.3)*	*(4.8)*	*16.6*	*3.3*
Net financial surplus (indebtedness)	*(10.9)*		*7.3*		*(1.0)*	*0.1*	*(4.5)*	
Shareholders' equity	*142.8*		*24.3*		*3.8*	*(48.8)*	*122.1*	
Number of employees at December 31	*2,549*		*769*		*198*	*-*	*3,516*	

In 2008, the Filtration Division suffered a significant fall in sales and profitability.
Business suffered in Europe partly due to the contraction of the original equipment market (-11.6%) and also due to the deterioration of aftermarket sales, with sales in the independent market falling by 13.8% and those of original spare parts by 15%.
In contrast, higher sales were recorded in South America, where progress was achieved in all market segments.

*The Division's **consolidated sales** amounted to € 497.5 million, compared to 548.2 million in 2007, a fall of 9.3%, with sales in the European market falling overall by 13.2% and those in the Latin American market rising by 13.9%.*

In addition to the fall in sales, profitability was also negatively influenced by the increase in the cost of raw materials and components, which now represent 47.8% of sales compared to 46.1%.

***Operating profit** therefore fell by 25.1%, amounting to € 43.2 million (8.7% of sales), compared to € 57.7 million in 2007 (10.5% of sales).*

Over the year, two plants were closed, in Italy and Spain, and structural reorganisation was undertaken in all of the division's main markets, incurring total costs of € 10.4 (6.8 million in 2007). 2008 did not benefit from the aforementioned disposals of fixed assets, which amounted to € 4.5 million in the previous year and from other positive liability adjustments.

In comparison to 2007, this resulted in lower EBITDA and EBIT figures, which fell by 35% and 46% respectively.
***EBITDA** amounted to € 44 million (8.9% of sales) against 67.8 million (12.4% of sales) in the previous year, while **EBIT** was € 26.6 million (5.3% of sales) compared to the previous 49.1 million (9% of sales).*

*The Division's **consolidated net profit** amounted to € 16.6 million (3.3% of sales), down 50.1% with respect to the figure of 33.3 million (6.1% of sales) recorded in 2007.*

***Consolidated equity** as of December 31, 2008 amounted to € 122.1 million, compared to 142.9 million at the end of 2007, and the net financial position at year end presented indebtedness of € 4.5 million compared to the surplus of 25.9 million recorded as of December 31, 2007.*

At the end of 2008, the Filtration Division had 3,516 employees (155 of which at the new joint ventures in India), a reduction of 3.1% compared to the 3,629 employees as of December 31, 2007.

In terms of productivity, sales per employee of the Division were € 138.4 thousand, compared to € 149.4 thousand in the previous year.

As part of the Group's strategy to enter markets with higher expansion potential, in November, the subsidiary company Filtrauto S.A., with an investment of € 4.7 million, acquired 60% of two Indian companies, M.N.Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd based in Bangalore that operate in the Indian market for vehicle and industrial filtration.

In 2008, the Division acquired full control of the filtration company in China established previously with a local partner, by acquiring the remaining 30% owned by the latter.

In June, the licence agreement which allows the Division to use the FRAM trademark in European, South American and former Soviet Union markets was renewed and extended to 2021.

SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

The table below shows the main economic and financial indicators for the year, compared to those of the previous three years:

KEY ECONOMIC DATA

(in millions of Euro)	*2005*	*2006*	*2007*	*2008*	*var. '08 vs '07*
Sales revenues	*504.9*	*491.6*	*524.6*	*521.9*	*-0.5%*
EBITDA	*61.2*	*63.4*	*75.8*	*64.5*	*-14.9%*
Operating profit	*50.4*	*51.2*	*58.8*	*47.5*	*-19.1%*
Ebit	*34.5*	*37.4*	*50.3*	*40.2*	*-20.2%*
Net profit	*14.7*	*24.5*	*25.5*	*18.7*	*-26.6%*

KEY FINANCIAL DATA

(in millions of Euro)	*2005*	*2006*	*2007*	*2008*	*var. '08 vs '07*
Shareholders' equity	*92.8*	*116.2*	*134.0*	*134.1*	*0.0%*
Net financial position	*(134.9)*	*(111.3)*	*(89.5)*	*(89.8)*	*0.3%*

OTHER INDICATORS

	2005	*2006*	*2007*	*2008*	*var. '08 vs '07*
Number of employees	*2,657*	*2,528*	*2,544*	*2,558*	*0.6%*

The Division's performance in 2008 in its two main sectors was as follows:

(in millions of Euro)	*CAR AND PRECISION SPRINGS*		*INDUSTRIAL VEHICLES*		*Intercomp. elimin.*	*TOTAL SUSPENSION DIVISION*	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*%*
Sales revenues	*409.7*	*100.0*	*112.4*	*100.0*	*(0.2)*	*521.9*	*100.0*
Operating profit	*26.1*	*6.4*	*21.4*	*19.0*	*-*	*47.5*	*9.1*
EBIT	*18.9*	*4.6*	*21.3*	*18.9*	*-*	*40.2*	*7.7*
Profit before taxes	*25.0*	*6.1*	*21.8*	*19.4*	*(13.7)*	*33.1*	*6.3*
Net profit	*17.4*	*4.2*	*15.0*	*13.4*	*(13.7)*	*18.7*	*3.6*
Net financial surplus (indebtedness)	*(102.2)*		*12.4*		*-*	*(89.8)*	
Shareholders' equity	*124.7*		*31.5*		*(22.1)*	*134.1*	
Number of employees at December 31	*2,202*		*356*		*-*	*2,558*	

As the products of the Suspension Components Division are almost entirely dedicated to original equipment, in the last quarter the revenues of this sector, more than those of the Filtration one, suffered the effect of the drastic fall in demand.

In terms of sales, the reduction for the year taken as a whole was only 0.5%, thanks to an increase in sales prices implemented to offset the increase in the cost of steel.
Revenues fell by 7.8% in the European car market, rose by 16.5% in the same market for industrial vehicles and rose by 21.5% in the Mercosur, while the precision springs sector suffered a fall of 14.5%.

***Consolidated sales** amounted to € 521.9 million, compared to 524.6 million recorded in 2007, € 431.3 million of which were made in Europe (-3.1%), 78.2 million in South America (+21.5%), 4 million in China (-0.6%) and 12.2 million in the US (-23.5%).*

Over the year, the cost of steel rose by over 25% against 2007 values; these higher costs were almost entirely transferred to sales prices, with a delay of several months. In any event, materials as a percentage of sales rose from 45.3% to 47%.

*Operating profitability therefore worsened, while structural costs remained steady, recording a **consolidated operating profit** of € 47.5 million (9.1% of sales), compared with 58.8 million (11.2% of sales) recorded in 2007.*

The Division incurred reorganisation costs amounting to € 1.1 million (0.7 million in 2007).

*As a consequence, EBITDA and EBIT fell by 14.9% and 20.2%, with **consolidated EBITDA** amounting to € 64.5 million (12.4% of sales) compared to the previous 75.8 million (14.4% of sales) and **consolidated EBIT** amounting to € 40.2 million (7.7% of sales), which in 2007 had amounted to € 50.3 million (9.6% of sales).*

In terms of significant events occurring over the year, at the end of July, a serious fire destroyed the Welsh plant in Clydach, the damage of which was entirely covered by insurance, and will be reimbursed in 2009.
We continued to supply customers of the plant by promptly transferring production to other plants belonging to the Division.

*The Division's **consolidated net profit** was € 18.7 million (3.6% of sales), while it amounted to 25.5 million (4.9% of sales) in the previous year.*

At the end of 2008, the Division recorded a negative net financial position, with net financial indebtedness standing at € 89.8 million, in line with 89.5 million as of December 31, 2007.

*The Division's **consolidated equity** as of December 31, 2008 was € 134.1 million, in line with the result recorded twelve months earlier (€ 134 million).*

At year end, the Suspension Components and Precision Springs Division had a total of 2,558 employees, 0.6% down on the figure of 2,544 recorded at the end of 2007.

In terms of productivity, sales per employee in 2008 were € 201.5 thousand, compared to 206.7 thousand in the previous year.

In September, with an investment of € 1.1 million, a joint venture was established between the subsidiary company Allevard Rejna Autosuspensions S.A. and a French company called Sardou S.A. to develop, produce and sell suspension components in materials other than steel, which enable a drastic reduction in weight, offering an excellent solution to the need of car manufacturers to build lighter cars with lower fuel consumption and that are less polluting.

OUTLOOK FOR OPERATIONS

The world crisis of the automotive industry, which took hold in late 2008, is set to continue into 2009 and is expected to deteriorate further.
In all mature markets (Europe, USA, Japan), even in the presence of stimulus measures set in place by individual governments and by the European Union, there have been significant falls in demand and production with respect to 2008, while trends in emerging markets (Brazil, China, India) appear to be less negative.

In this scenario, Sogefi envisages a fall in revenues and in profitability with respect to 2008, despite the benefits resulting from the fall in costs of materials and energy. To tackle the market crisis, the Group will be taking further drastic measures to reduce all cost factors, with particular focus on structural costs.

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 way in which said risks are managed by the Group. To facilitate comprehension, risk factors have been grouped on the basis of their origin into risk categories, distinguishing between those that arise external to the Group (**external risks**) and those associated to 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 on the Consolidated Financial Statements *which should be referred to*[1].

*With regard to **risks relating to competitors**, as the Group is one of the leading forces worldwide in both the suspension components and filtration sectors, it enjoys objective barriers to the entry of new competitors in the suspension components sector, characterised in recent years by gradual consolidation, being structurally capital intensive and characterised by a large technological and qualitative gap between the Group and manufacturers in low cost countries.*
Similarly, a technological and qualitative gap represents a barrier to the entry of new competitors in the original equipment filtration as well, while in the spare parts filtration sector, important barriers to entry are represented by the completeness of the Group's product range and by the lack of brand recognition of manufacturers in low cost countries.

*As regards the **risks associated with customer management**, as well as the management of **credit risk** linked to the possibility of a customer defaulting, already mentioned with regard to **financial risk**, the Group manages the **risk of the concentration of demand** by appropriately diversifying its customer portfolio, both from a geographic per-*

---

[1] *For a detailed explanation of centralised financial risk management made by the Group, see "Explanatory and supplementary notes on the Consolidated Financial Statements", Chap. E, Note no. 39.*

spective 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). A further portfolio diversification is applied within the original equipment distribution channel, in which there is no dependence on predominating customers.

*As regards the **risks associated with supplier management**, mostly managed centrally by the Group, it should be noted that diversification achieved by utilising a number of suppliers operating in different parts of the world for each type of raw material purchased results in a reduction in the **risk of changes in raw materials prices** as part of the already-cited **financial risk management**, and at the same time, helps to reduce the **risk of being excessively dependent on key suppliers/single suppliers**.*

*The Group places particular attention on the management of **country risk**, given the considerable geographic diversification of its business activities at world level.*

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

*With regard to the **risks related to health, safety and the environment**, the Group's Health, Safety and Environmental (HSE) "management system" comprises a central management team which provides direction and guidance to subsidiaries on aspects regarding the environment, health and safety, and in drawing up risk maps and updating Group policies and procedures. Subsidiaries have their own internal function that manages HSE in accordance with the laws in force in their specific country and on the basis of the Sogefi Group's guidelines. 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. In correlation with the environmental policy, 12 plants in the Filtration Division and 12 in the Suspensions Division are currently certified as complying with international standard ISO 14001. Some subsidiaries have started to certify their health and safety systems as complying with standard OHSAS 18001. 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.*

*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 important to draw attention to the fact that the two divisions of the Sogefi Group consider continuous quality improvement a fundamental objective to meet their customers' requirements. Both divisions have therefore set up their own central organisations which continuously monitor quality, while each plant has local teams that work according to the principles of quality policy of their respective division. In correlation with the quality policy, 14 plants in the Filtration Division and 17 in the Suspensions Division are currently certified as complying with international standard ISO TS 16949. Several plants have also obtained certifications on the basis of their specific field of business. Unforeseeable risk is adequately covered by insurance, as regards both third party product liability and the potential launch of campaigns to recall products.*

*As regards the **risks associated to the adequacy of managerial support (e.g. the effectiveness/efficiency of Group monitoring and reporting, of internal information flows etc.)**, the Group prioritises the efficiency/effectiveness of management information tools, the structure and management of reporting systems and the continuous and in-depth monitoring of the activities of all subsidiaries.*

*In terms of the set of **risks associated to 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 the observance of conduct dictated by its Ethical Code.*
Working relationships are managed and coordinated in full respect of workers right and the full acknowledgement of their contribution, with a view to encouraging development and professional growth. Established selection processes, career paths, and incentive schemes are the tools used to make the most of human resources. The Group also uses a system of annual performance appraisals based on a clear definition of shared objectives, which can be mea-

sured in numerical, economic, financial and individual terms. A variable bonus is paid depending on the degree to which said objectives are achieved. As regards medium-long incentive schemes, again in 2008 stock option and phantom stock option plans have 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 safety and logic security of systems in terms of the protection of confidential data and information by means of specific units at division level. More specifically, the implementation of an ERP information system is currently underway for the suspension components division.*

OTHER INFORMATION

EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND MANAGERS WITH STRATEGIC RESPONSIBILITIES

The following information is provided pursuant to Legislative Decree no. 58 of February 24, 1998 adopted by Consob resolution 11971/99:

Name	Company	No. of shares held at the end of 2007	No. of shares purchased in 2008	No. of shares sold in 2008	No. of shares held at the end of 2008
Carlo De Benedetti (1)	Sogefi S.p.A.	65,194,962	545,000	-	65,739,962
Emanuele Bosio	Sogefi S.p.A.	2,069,500	1,096,000	-	3,165,500
	A.R.A. S.A.	13	-	-	13
	Filtrauto S.A.	1	-	-	1
	Allevard Springs Ltd	1	-	-	1
	United Springs S.a.s	-	1	-	1
Pierluigi Ferrero	Sogefi S.p.A.	15,000	-	-	15,000
Giovanni Germano (2)	Sogefi S.p.A.	2,012,000	-	-	2,012,000
	Sogefi S.p.A.	1.004,312	-	-	1,004,312
Franco Girard	Sogefi S.p.A.	10,000	-	-	10,000
Renato Ricci	Sogefi S.p.A.	670,000	210,000	-	880,000
	A.R.A. S.A.	108	-	-	108
Roberto Robotti	Sogefi S.p.A.	1,300	-	-	1,300
Managers with strategic responsibilities (*)	Sogefi S.p.A.	79,724	79,700	-	159,424
	A.R.A. S.A.	14	10	-	24
	Filtrauto S.A.	1	1	-	2

(1) held indirectly through CIR S.p.A., Strada Volpiano 53, Leinì (Turin - Italy) – VAT no. 00519120018
(2) held indirectly through Siria S.r.l., Corso Montevecchio 38, Turin (Italy) – VAT no. 00486820012
The shares held in Filtrauto S.A. are non-transferable. Five of the shares held by Emanuele Bosio in A.R.A. S.A. and the shares held by the managers with strategic responsibilities in A.R.A. S.A. are also non-transferable until the end of the term of office of the directors concerned.
(*) Number of shares stated as "No. of shares held at the end of 2007" refers to shares held at the date when managers have become relevant people of Sogefi in 2008.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

Further information on the most important transactions and balances with related parties is provided in the explanatory and supplementary notes on the consolidated financial statements, in the section entitled "Related Party Transactions", as well as in the 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 which, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or are such as to have a significant impact on the Group's results, balance sheet or financial position.

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 2008 was approved at the meeting of the Board of Directors called to approve the financial statements for the year ended December 31, 2008 and will be available for anyone who requests a copy, in accordance with the instructions issued by Borsa Italiana and Consob Resolution 11971/99 for its disclosure to the general public. The report will also be available on the Company's website (www.sogefi.it, in the "Investor relations" section).

The report contains also information on the ownership structure (art. 123 bis Legislative Decree no. 58/1998) and information on compliance with the codes of conduct that the Company has adopted (art. 89 bis Consob Resolution 11971/99). 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 persons into line with the international conventions signed by Italy, in February 2003 the Board of Directors adopted a Ethical Code 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 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 a "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

With regard to treasury shares, we point out that under the shareholders' authorization to buy treasury shares granted at the meeting of April 20, 2007, in the first 2008 months the Holding Company bought 341,000 shares at an average price of € 4.55 each.
On January 31, 2008, the Company also sold 80,000 treasury shares at a price of € 3.87 each, in execution of the 2005 stock option plan reserved for one of the Company's project workers.
As of December 31, 2008, the Holding Company therefore has 1,956,000 treasury shares in its portfolio, corresponding to 1.68% of capital, at an average price of € 2.56 each.

INFORMATION REQUIRED BY LEGISLATIVE DECREE NO. 196/2003 ON THE PROTECTION OF PRIVACY

In accordance with the "Personal Data Protection Code" that came into force on January 1, 2004, the Company complied with the legal requirements by implementing the security measures introduced by the legislator (which also complied with the previous Legislative Decree 675/1996 on privacy). The implementation firstly involved preparing the "Security Planning Document" which explains the various forms of protection currently in place, also identifying any further measures that the Company ought to introduce by law.
The Company has also taken other steps to bring the situation into line with the requirements of Legislative Decree 196 of June 30, 2003 and the related amendments and supplements.

OTHER

SOGEFI S.p.A. has its registered offices in Via Ulisse Barbieri 2, Mantua and its operating offices in Via Flavio Gioia 8, Milan.

The Sogefi stock has been listed on the Milan 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, 2008, was approved by the Board of Directors on February 26, 2009.

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., paragraph 15 of the Regulation of Borsa Italiana, and with reference to the requirements referred to in articles 36 and 37 of Consob Resolution 16191 of October 29, 2007, 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 corresponding control bodies from foreign subsidiaries that are of material significance to the Company and are based in countries that are not part of the European Union; the same foreign subsidiaries provide the Company's auditors with information necessary to perform annual and interim audits of Sogefi and use an administrative and accounting system appropriate for regular reporting to the management and auditors of the Company of income statement, balance sheet and cash flow data necessary for the preparation of the consolidated financial statements.
Sogefi S.p.A. will also make the financial statements of foreign subsidiaries that are of material significance to the Company and are based in countries that are not part of the EU, prepared for the purpose of the consolidated financial statements as of December 31, 2008, available to the public 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 civil code; has independent decision-making powers in relations with customers and suppliers; does not have a cash pooling system in place with CIR. The Company has a cash pooling system with subsidiary companies that satisfies the interest of the company. This situation enables the Group's finances to be pooled, thus reducing the need to utilise funding from banks, and therefore minimising financial charges. Lastly, it is hereby stated that the Company's Board of Directors comprises 12 members, 4 of which meet the independence criteria, and are therefore a sufficient number to guarantee that their contribution has an adequate weight when taking board decisions.

SIGNIFICANT SUBSEQUENT EVENTS

Due to the world crisis in the car industry, the Group's sales in January reflected the trend suffered in the last few months of 2008. In the second half-year, the situation is expected to improve following measures adopted by the various European governments.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as of December 31, 2008 that we submit for your approval show net profit of € 29,222,461.20. We would like to propose the following:

Net profit	*29,222,461.20*
- allocation to the legal reserve	*140,000.00*
- residual share of net profit for 2008 to be allocated to "Retained Earnings"	*29,082,461.20*

Milan, February 26, 2009

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 IFRS/IAS

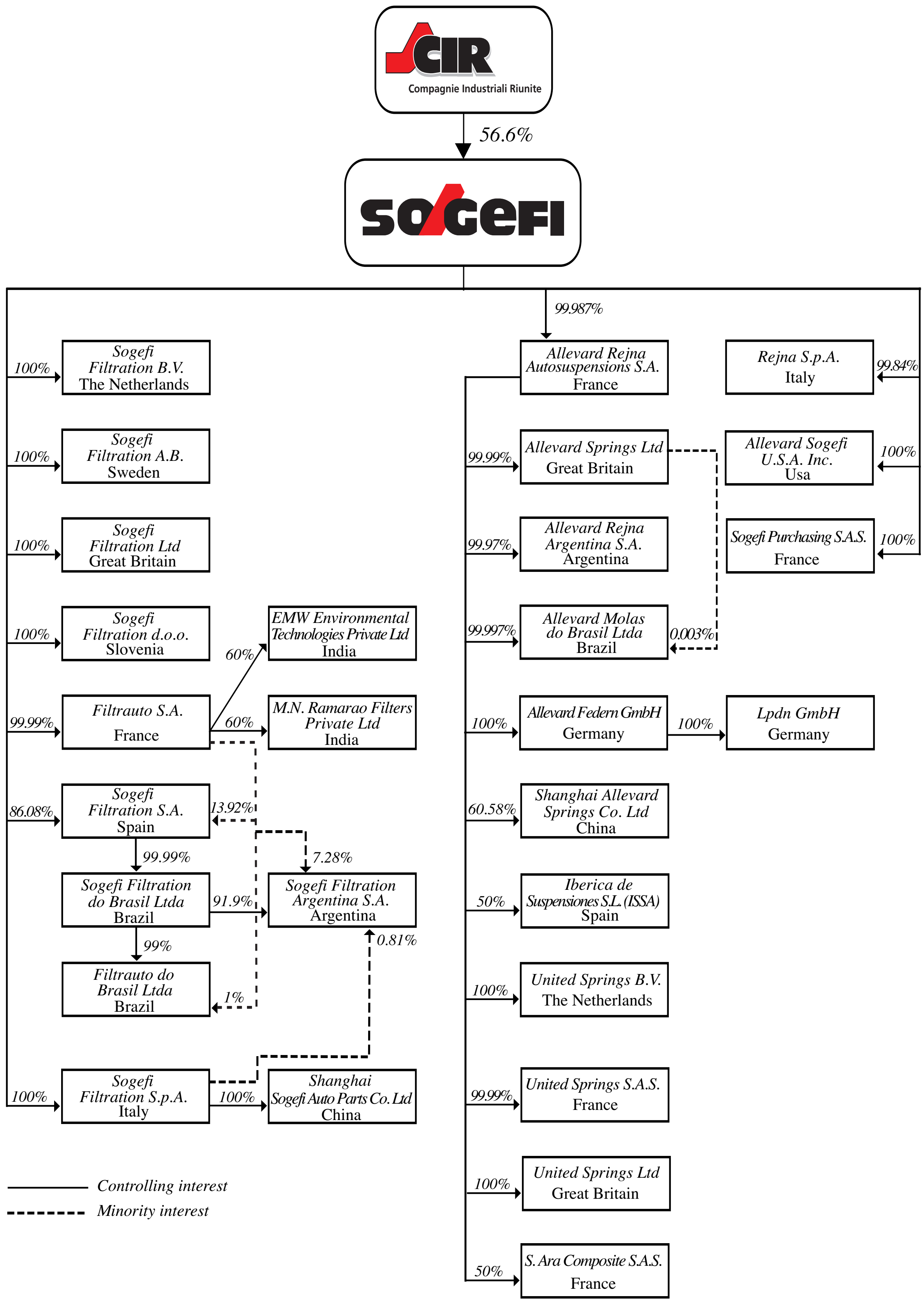
Notes relating to the Consolidated Financial Statements

(a) the heading agrees with "Total working capital" in the consolidated balance sheet;
(b) the heading agrees with the sum of the line items "Trade and other payables", "Tax payables" and "Other current liabilities" in the consolidated balance sheet;
(c) the heading agrees with the sum of the line items "Equity investments in associated companies" and "Other financial assets available for sale" in the consolidated balance sheet;
(d) the heading agrees with the sum of the line items "Total fixed assets", "Other receivables", "Deferred tax assets" and "Non-current assets held for sale" in the consolidated balance sheet;
(e) the heading agrees with the line item "Total other long-term liabilities" in the consolidated balance sheet;
(f) the heading agrees with the sum of the line items "Net profit", "Minority interests", "Depreciation, amortization and writedowns", "Accrued costs for stock options", "Share of associated companies' pre-tax income", "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 associated companies" and "Sale of subsidiaries (net of cash and cash equivalents) and associated" 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 sum of the line items "Exchange differences on assets/liabilities" and "Exchange differences on equity/minority interests" 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 circolante operativo") in the Holding Company's statutory balance sheet;
(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 balance sheet;
(p) the heading agrees with the sum of the line items "Equity investments in subsidiaries" ("Partecipazioni in società controllate"), "Equity investments in associated companies" ("Partecipazioni in società collegate") and "Other financial assets available for sale" ("Altre attività finanziarie disponibili per la vendita") in the Holding Company's statutory balance sheet;
(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 balance sheet;
(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 balance sheet;
(s) the heading agrees with the sum of the line items "Net profit" ("Utile netto d'esercizio"), "Writedowns of equity investments" ("Svalutazione partecipazioni"), "Writedowns of intangible fixed assets" ("Svalutazione immobilizzazioni immateriali"), "Depreciation and amortization" ("Ammortamenti immobilizzazioni materiali e immateriali"), "Changes in fair value of investment properties" ("Variazione fair value investimenti immobiliari"), Accrued costs for stock options" ("Accantonamenti costi per stock options"), "Accrued costs for Phantom Stock Options" ("Accantonamenti fondo Phantom Stock Options"), "Change in provisions for risks" ("Variazione fondi rischi") and "Net change in provision for employment termination indemnities" ("Variazione netta fondo trattamento fine rapporto") as well as the change of deferred tax assets/liabilities included in the line "Other assets/liabilities" ("Altre attività/passività") in the Holding Company's statutory cash flow statement;
(t) 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;
(u) 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.

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in thousands of Euro)

ASSETS	*Note*	*12.31.2008*	*12.31.2007*
CURRENT ASSETS			
Cash and cash equivalents	*5*	*49,456*	*63,753*
Other financial assets	*6*	*841*	*956*
Working capital			
Inventories	*7*	*114,492*	*113,168*
Trade receivables	*8*	*169,973*	*220,097*
Other receivables	*8*	*19,019*	*5,982*
Tax receivables	*8*	*14,934*	*10,730*
Other assets	*8*	*3,801*	*2,551*
TOTAL WORKING CAPITAL		322,219	352,528
TOTAL CURRENT ASSETS		*372,516*	*417,237*
NON-CURRENT ASSETS			
FIXED ASSETS			
Land	*9*	*13,929*	*11,354*
Property, plant and equipment	*9*	*218,069*	*224,284*
Other tangible fixed assets	*9*	*4,583*	*4,406*
Of which: leases		11,779	12,653
Intangible assets	*10*	*127,255*	*118,674*
TOTAL FIXED ASSETS		*363,836*	*358,718*
OTHER NON-CURRENT ASSETS			
Equity investments in associated companies	*11*	*101*	*101*
Other financial assets available for sale	*12*	*442*	*497*
Financial receivables	*13*	*22*	*-*
Other receivables	*13*	*8,772*	*4,974*
Deferred tax assets	*14-20*	*26,688*	*25,167*
TOTAL OTHER NON-CURRENT ASSETS		*36,025*	*30,739*
TOTAL NON-CURRENT ASSETS		*399,861*	*389,457*
NON-CURRENT ASSETS HELD FOR SALE	*15*	*653*	*6,756*
TOTAL ASSETS		*773,030*	*813,450*

LIABILITIES	*Note*	*12.31.2008*	*12.31.2007*
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	16	19,750	12,418
Current portion of medium/long-term financial debts and other loans	16	35,733	13,696
Of which: leases		1,385	1,340
TOTAL SHORT-TERM FINANCIAL DEBTS		55,483	26,114
Other short-term liabilities for derivative financial instruments	16	473	469
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		55,956	26,583
Trade and other payables	17	204,094	228,858
Tax payables	17	4,181	11,821
Other current liabilities	18	1,770	2,984
TOTAL CURRENT LIABILITIES		266,001	270,246
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS			
Financial debts to bank	16	238,612	118,005
Other medium/long-term financial debts	16	10,723	12,492
Of which: leases		7,206	9,133
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS		249,335	130,497
Other medium/long-term financial liabilities for derivative financial instruments	16	2,263	-
TOTAL MEDIUM/LONG-TERM FIN. DEBTS AND DERIVATIVE FIN. INSTRUMENTS		251,598	130,497
OTHER LONG-TERM LIABILITIES			
Long-term provisions	19	48,883	58,765
Other payables	19	384	-
Deferred tax liabilities	20	27,849	27,228
TOTAL OTHER LONG-TERM LIABILITIES		77,116	85,993
TOTAL NON-CURRENT LIABILITIES		328,714	216,490
SHAREHOLDERS' EQUITY			
Share capital	21	60,397	59,595
Reserves and retained earnings (accumulated losses)	21	72,013	199,093
Group net profit (loss) for the year	21	28,495	52,200
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		160,905	310,888
Minority interests	21	17,410	15,826
TOTAL SHAREHOLDERS' EQUITY		178,315	326,714
TOTAL LIABILITIES AND EQUITY		773,030	813,450

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	Note	2008		2007	
		Amount	%	Amount	%
Sales revenues	23	1,017,458	100.0	1,071,765	100.0
Variable cost of sales	24	681,673	67.0	699,415	65.3
CONTRIBUTION MARGIN		335,785	33.0	372,350	34.7
Manufacturing and R&D overheads	25	107,299	10.5	115,151	10.7
Depreciation and amortization	26	42,484	4.2	44,695	4.2
Distribution and sales fixed expenses	27	35,935	3.5	38,440	3.6
Administrative and general expenses	28	62,430	6.2	60,497	5.6
OPERATING PROFIT		87,637	8.6	113,567	10.6
Restructuring costs	30	11,473	1.1	7,558	0.7
Losses (gains) on disposal	31	(15)	-	(4,622)	(0.4)
Exchange losses (gains)	32	2,238	0.2	943	0.1
Other non-operating expenses (income) - of which non-recurring	33	11,502 1,020	1.2	19,821 6,116	1.8
EBIT		62,439	6.1	89,867	8,4
Financial expenses (income), net	34	13,988	1.4	9,418	0.9
Losses (gains) from equity investments	35	218	-	(108)	-
PROFIT BEFORE TAXES AND MINORITY INTERESTS		48,233	4.7	80,557	7.5
Income taxes	36	16,793	1.7	25,390	2.4
NET PROFIT BEFORE MINORITY INTERESTS		31,440	3.0	55,167	5.1
Loss (income) attributable to minority interests		(2,945)	(0.2)	(2,967)	(0.2)
GROUP NET PROFIT FOR THE YEAR		28,495	2.8	52,200	4.9
Earnings per share (EPS) (Euro): Basic Diluted	38	 0.250 0.250		 0.465 0.461	

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)

	2008	2007
Cash flows from operating activities		
Net profit	28,495	52,200
Adjustments:		
- minority interests	2,945	2,967
- depreciation, amortization and writedowns	47,126	44,018
- accrued costs for stock options	635	866
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(15)	(4,622)
- losses/(gains) on sale of equity investments in associated companies	-	-
- dividends collected	(127)	(108)
- share of associated companies' pre-tax income	-	-
- provisions for risks, restructuring and deferred taxes	(4,228)	5,643
- post-retirement and other employee benefits	(8,636)	(10,897)
- change in net working capital	(9,609)	4,878
- other medium/long-term assets/liabilities	2,460	(1,866)
- exchange differences on assets/liabilities	19,153	4,571
CASH FLOWS FROM OPERATING ACTIVITIES	78,199	97,650
of which: taxes paid	(27,361)	(18,842)
Net interest paid	(14,458)	(8,680)
INVESTING ACTIVITIES		
Net financial position of subsidiaries purchase/sold during the year	142	-
Purchase of property, plant and equipment	(41,082)	(35,848)
Purchase of intangible assets	(14,449)	(11,145)
Net change in other securities	(4,840)	27
Sale of subsidiaries (net of cash and cash equivalents) and associated	264	-
Sale of property, plant and equipment	257	7,400
Sale of intangible assets	13	120
Dividends collected	127	108
NET CASH FLOWS FROM INVESTING ACTIVITIES	(59,568)	(39,338)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	981	315
Net change in capital	4,851	3,557
Net purchase of treasury shares	(1,245)	-
Dividends paid to Holding Company shareholders and minority interests	(162,529)	(25,866)
Exchange differences on equity/minority interests	(21,259)	(3,027)
New (repayment of) long-term loans	142,167	(14,718)
New (repayment of) finance leases	(1,109)	(5,448)
Other equity movements	(2,117)	(31)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(40,260)	(45,218)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(21,629)	13,094
Balance at the beginning of the period	51,335	38,241
(Decrease) increase in cash and cash equivalents	(21,629)	13,094
BALANCE AT THE END OF THE PERIOD	29,706	51,335

NB: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7. 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.

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(in thousands of Euro)

	Attributable to the shareholders of the parent company				*Minority interests*	*Total*
	Share capital	*Reserves and retained earnings (accumulated losses)*	*Net profit for the period*	*Total*		
Balance at December 31, 2006	58,826	170,013	50,767	279,606	16,117	295,723
Paid share capital increase	*769*	*2,788*	*-*	*3,557*	*315*	*3,872*
Allocation of 2006 net profit:						
Legal reserve	*-*	*-*	*-*	*-*	*-*	*-*
Dividends	*-*	*(82)*	*(22,284)*	*(22,366)*	*(3,500)*	*(25,866)*
Retained earnings	*-*	*28,483*	*(28,483)*	*-*	*-*	*-*
Fair value measurement of cash flow hedging instruments	*-*	*(41)*	*-*	*(41)*	*-*	*(41)*
Other changes	*-*	*1*	*-*	*1*	*-*	*1*
Tax on items booked directly to equity	*-*	*19*	*-*	*19*	*-*	*19*
Imputed cost of stock options	*-*	*866*	*-*	*866*	*-*	*866*
Currency translation differences	*-*	*(2,954)*	*-*	*(2,954)*	*(73)*	*(3,027)*
Net profit for the period	*-*	*-*	*52,200*	*52,200*	*2,967*	*55,167*
Balance at December 31, 2007	59,595	199,093	52,200	310,888	15,826	326,714
Paid share capital increase	*802*	*4,049*	*-*	*4,851*	*981*	*5,832*
Allocation of 2007 net profit:						
Legal reserve	*-*	*300*	*(300)*	*-*	*-*	*-*
Dividends	*-*	*(133,793)*	*(25,734)*	*(159,527)*	*(3,002)*	*(162,529)*
Retained earnings	*-*	*26,166*	*(26,166)*	*-*	*-*	*-*
Fair value measurement of cash flow hedging instruments	*-*	*(2,550)*	*-*	*(2,550)*	*-*	*(2,550)*
Net purchase of treasury shares	*-*	*(1,245)*	*-*	*(1,245)*	*-*	*(1,245)*
Other changes	*-*	*47*	*-*	*47*	*528*	*575*
Tax on items booked directly to equity	*-*	*702*	*-*	*702*	*-*	*702*
Imputed cost of stock options	*-*	*635*	*-*	*635*	*-*	*635*
Currency translation differences	*-*	*(21,391)*	*-*	*(21,391)*	*132*	*(21,259)*
Net profit for the period	*-*	*-*	*28,495*	*28,495*	*2,945*	*31,440*
Balance at December 31, 2008	60,397	72,013	28,495	160,905	17,410	178,315

EXPLANATORY AND SUPPLEMENTARY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

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

SOGEFI is present in 3 continents and 13 countries, with 50 locations of which 39 are production sites. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

This report has 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 includes the accounting schedules and explanatory notes of the Group and of the Holding Company, prepared according to the IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) and supplemented by the interpretations of the SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) issued by IASB (International Accounting Standards Board).

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), applied consistently throughout the Group.

The consolidated financial statements as of December 31, 2008 were approved by the Board of Directors on February 26, 2009.

1.1 Format of the consolidated financial statements

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

Consolidated balance sheet
The consolidated balance sheet 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.

Consolidated income statement
The costs and revenues shown in the consolidated income statement are classified by destination, 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 profit;*
- *Ebit (Earnings before interest and tax);*
- *Profit before taxes and minority interests;*
- *Net profit before minority interests;*
- *Net profit for the year.*

We have maintained the aggregate "Operating profit" (sometimes defined in US/UK accounting texts 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 the Group's core business activities (i.e. the activities most closely related to the manufacturing and sales side of the business), more or less in line with the definition of "Operating profit" used in previous years. 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 activities, or in any case expenses that may be non-recurring.
In other words, by way of an example, "Operating profit" is not affected by non-recurring costs and revenues (such as restructuring costs, gains or losses on disposal) or by charges or income that are not related to normal business activities, 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 depending on their own socio-economic characteristics. Similarly, "Operating profit" does not include exchange gains and losses as they are considered more a part of foreign exchange (i.e. financial) management.

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

Consolidated cash flow statement
A consolidated cash flow statement split by area of formation of the various types of cash flow as indicated in the 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.
Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing balance sheet 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 balance sheet 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 balance sheets 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 on assets/liabilities".

Statement of changes in consolidated equity
A statement of changes in consolidated equity is included as required by international accounting standards, showing separately the net result for the period and any revenue, income, cost or expense that was not charged through the income statement, but directly to consolidated equity on the basis of specific IAS/IFRS.

1.2 Content of the consolidated financial statements

The consolidated financial statements as of December 31, 2008 include the Holding Company Sogefi S.p.A. and the subsidiaries it has direct or indirect control of.
Chapter H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are expressed in Euro (€) and all figures are rounded up or down to the nearest thousand Euro, unless specifically stated otherwise.
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 there were the following changes in the scope of consolidation:
- *in April, the subsidiary company Sogefi Filtration S.p.A. acquired full control of the subsidiary Shanghai Sogefi Auto Parts Co. Ltd through the purchase of the remaining 30% stake from the minority shareholder Zhejiang Universe Filter Co. Ltd;*
- *in September, a joint venture was set up (called S. Ara Composite S.A.S.) between the subsidiary Allevard Rejna Autosuspensions S.A. and a French company called Sardou S.A. to develop, produce and sell suspension components made from materials other than steel. As the French subsidiary holds the power to appoint the majority of the members of the company's board of directors, in reality it has control of the joint venture;*
- *in November, the subsidiary Filtrauto S.A. acquired 60% of two Indian companies, M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd, based in Bangalore, which operate in the Indian market for vehicle and industrial filtration;*
- *in December, Sogefi S.p.A., the Holding Company, established the French company Sogefi Purchasing S.A.S. which, over the course of 2009, will act as an agent for group companies to assist with trading and purchasing.*

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, as regards the balance sheet and income statement, with the exclusion of the Indian subsidiaries, which have also been consolidated on a line-by-line basis, but only as regards the balance sheet. Consolidation of the income statement would not have made any significant changes to the same.

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

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

2.1 Consolidation principles

The financial statements as of December 31, 2008 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 associated companies.

The balance sheet items coming from financial statements expressed in foreign currency are translated into Euro at year-end exchange rates, taking account of any hedging transactions.
The income statement items of financial statements expressed in foreign currency are translated into Euro at the average exchange rates for the period.
Differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between the result of operations reported in the income statement and that shown on the balance sheet.

The following exchange rates have been used for translation purposes:

	2008		2007	
	Average	12.31	Average	12.31
US dollar	1.4635	1.3917	1.3687	1.4721
Pound sterling	0.7948	0.9525	0.6842	0.7333
Swedish krona	9.6006	10.8696	9.2515	9.4411
Brazilian real	2.6583	3.2436	2.6625	2.6108
Argentine peso	4.6296	4.8045	4.2622	4.6369
Chinese renminbi	10.1616	9.4958	10.4134	10.7527
Indian rupee	63.7349	67.6133	-	-

The assets, liabilities, costs and revenues of the individual companies included in the consolidation 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. Acquisitions of subsidiaries by the Group are accounted for at cost. The cost of an acquisition is understood as being the fair value of the assets, liabilities or equity instruments outstanding or presumed to be outstanding at the date on which control effectively passes to the Group, plus all of the costs directly attributable to the acquisition.

Any excess of the acquisition cost over the fair value of the identifiable assets and liabilities acquired is recorded as goodwill. If the acquisition cost is lower than the identifiable net assets acquired, the difference is taken to the income statement.

Equity investments in associated companies are consolidated according to the equity method, which means that the results of operations of associated companies are reflected in the consolidated income statement and any changes in their equity are reflected in the consolidated equity. 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.

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

Whenever a company with a different functional currency from the Euro is disposed of, any exchange differences included in equity are charged to the income statement.

2.2 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2008.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and sight deposits at banks, as well as investments with maturities of less than three months from the date of purchase.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realizable 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 utilizable or realizable value.

Receivables included in current assets

Receivables are initially recognized at fair value, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realizable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortized cost, which generally corresponds to their nominal value.

Receivables assigned without recourse are recorded under the name of the new debtor, generally near-banking finance companies that are specialized in this kind of service.

Tangible fixed assets

Tangible fixed assets mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation.

Cost includes related charges, together with the 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.

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 amortization rates applied are as follows:

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

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

Ordinary maintenance costs are fully expensed as incurred.
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 life.

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 on the balance sheet as a reduction of the book value of the asset concerned. Grants are then recognized 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 incident to 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 by 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 duration of the lease covers most 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 a specialised nature such 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 have been accounted for as tangible fixed assets at their fair value at the date of purchase; the corresponding liabilities to the lessor are shown in the balance sheet 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 recognized 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 amortization and accumulated impairment losses.
The annual average amortization rates applied are as follows:

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

Amortization is based on the estimated useful life and begins when the asset 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 capitalized when their future benefit is considered reasonably certain; they are then amortized over the entire period of future profits expected to be earned by the project in question.
The carrying value of such expenses is reviewed annually - or more frequently if there are particular reasons for doing so - analyzing its fairness to see if there have been any impairment losses.

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

Software
The costs of software licences, including related charges, are capitalized and shown in the balance sheet net of amortization and any accumulated impairment losses.

Goodwill
Goodwill represents the excess of the purchase cost of the buyer's share of net equity over its fair value, based on the net values of the identifiable assets and liabilities of the entity acquired.
After initial recognition, goodwill is valued at cost less any accumulated impairment losses.
Given that it does not have a finite life, goodwill is not amortized but subjected to impairment testing each year to identify any permanent losses in value.
Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.
In order to analyze the fairness of its value, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.

Four CGUs were identified with the Sogefi Group: the Filtration Division, the Car Suspension Components Division, the Industrial Vehicle Suspension Components Division and Precision Springs Division.
The goodwill currently on the books only concerns the Filtration Division and the Car Suspension Components Division.

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 testing, 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 testing 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 impairment loss had never taken place. This reversal is also booked to the income statement.

Equity investments in associated companies

An associated company is one in which the Group is able to exert a significant influence, but without being able to control its financial and operating policies. The results, assets and liabilities of associated companies are reflected in the consolidation under the equity method.

Equity investments in other companies and other securities

In accordance with IAS 32 and 39 and IFRS 7, equity investments in companies other than subsidiaries and associated companies are classified as available-for-sale financial assets which are measured at fair value, except in situations where the market price or fair value cannot be determined in which case the cost method is used.
Gains and losses deriving from value adjustments are booked to a specific equity reserve.
In the case of impairment losses or in the event of a sale, the gains and losses recognized up to that moment as part of equity are transferred 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 or fair value, net of any selling costs; depreciation on them has to be suspended.

Loans

Loans are initially recognized at cost, represented by the fair value received, net of related loan origination charges.
After initial recognition, loans are measured at amortized cost by applying the effective interest rate method.
The amortized 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 a hedge.
All derivatives are initially recognized in the balance sheet 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 hedges are booked to the income statement.

Hedging derivatives are classified as:

- *fair value hedges if they are subject to 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.*

For derivatives classified as fair value hedges, the gains and losses that arise on determining their market value and the gains and losses that derive from adjusting them to the fair value of the underlying item are booked to the income statement.

For those classified as cash flow hedges, used, for example, to protect medium/long-term loans at floating rates, gains and losses that arise from their valuation at market value are booked directly to equity for the part that effectively hedges the risk for which they were taken out, whereas any part that proves ineffective is booked to the income statement.
The portion booked to equity will be reclassified to the income statement in the period when the assets and liabilities being hedged impact on the costs and revenues for 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 recognized at fair value and subsequently at amortized cost, which generally corresponds to the nominal value.

Long-term provisions

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an out flow 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 officially announced to the parties involved.

Post-retirement and similar employee benefits
Under IAS 19, post-retirement and other long-term employee benefits (including the employment termination indemnities currently applicable in Italy) are subject to actuarial valuations that have to take into account a series of variables (such as mortality, forecast future pay rises, the expected rate of inflation, etc.).
Following this approach, the amount shown in the balance sheet reflects the present value of the liability, net of any plan servicing assets and adjusted for any unrecognised actuarial gains or losses.
In accordance with IFRS 1, the Sogefi Group has opted for the "corridor approach" envisaged in IAS 19. This provides for taking to the income statement actuarial gains and losses in excess of 10% of the higher of the fair value of any plan servicing assets and the present value of the liability at the balance sheet date. Any excess is amortized over the average residual working life of the pension plan participants.

Phantom stock options
With regard to phantom stock options, 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 estimated and booked to the income statement as a cost with a corresponding entry to a provision.

Deferred taxation

Deferred taxes are calculated on the taxable 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 there is likely to be sufficient taxable income in the future against which they can be utilised.
The value 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, considering current rates and those known to be applicable in the future.

Shareholders' equity

Share capital
Share capital consists of ordinary shares shown at par value.

Fair value reserve
This includes unrealized gains and losses (net of taxes) on financial assets classified as "available for sale". This reserve is used to transfer the value to the income statement at the time that the financial asset is sold or an impairment loss is recognized.

Cash flow hedging reserve
This includes the positive and negative revenue components that derive from hedging financial flows from instruments that for the purposes of IAS 39 are designated as cash flow hedges.

Translation reserve
This is the consolidated equity item that adjusts the differences that arise on translation into Euro of subsidiaries' financial statements expressed in currencies other than that used by the Holding Company.

Retained earnings (Accumulated losses)
This reflects the accumulated results, net of dividends paid to shareholders. This reserve also contains transfers from other equity reserves whenever they are freed from any restrictions to which they are subject.
It also contains the cumulative effect of changes in accounting principles or any corrections of errors accounted for under IAS 8.

Stock options
With regard to "Stock options", as envisaged by IFRS 2 "Share-based payment", the Group calculates the fair value

of the option at the time of its allocation, 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 balance sheet has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Revenue recognition

Revenues from the sale of products are recognized from the time at which all risks and benefits are transferred, which generally coincides with shipment to the customer. They are shown net of returns, discounts and accruals. Revenues from services rendered are recognized 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 R&D overheads, net of any development costs that are capitalized because of their future benefits and excluding amortization which is booked to a separate item in the income statement.

Distribution and sales fixed expenses

These are costs that are more or less insensitive to changes in sales volumes, being related to personnel, promotion and advertising, 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 relevant 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 comply with the conditions for obtaining the grant and that the grants will be received.

Restructuring costs and other non-operating costs/revenues

These are items that do not relate to the Group's normal business activities or refer to non-recurring activities and as laid down in IAS 1 ruling from January 1, 2005 they are classified as ordinary items and disclosed in the notes if they are of a significant amount.
The non-recurring nature of restructuring costs makes it appropriate for them to be disclosed separately, booking them in such a way that does not affect the operating result deriving from the Group's normal business activities.

Dividends

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

Dividends to be distributed are recognized as a liability 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 profit 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 Group's functional currency is the Euro and this is the 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 balance sheet date, 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 balance sheet date, but given their nature, they could lead to a material difference in balance sheet items in future years. The main items affected by this process of estimation are goodwill, deferred taxation and the fair value of financial instruments, stock options and phantom stock options. Reference should be made to these specific areas for further details.

2.3 Adoption of new accounting standards

The Group has taken note of and, where applicable, adopted in 2008 the following Standards, Interpretations and Revisions to existing accounting standards:
- *IFRIC 11 – IFRS 2: Group and Treasury Share Transactions. This interpretation is not relevant to the Group.*

Furthermore, the Group has not opted for early adoption of the following Standards, Interpretations and Revisions to the existing standards ratified by the European Union which will become obligatory in future periods:
- *IFRS 8 – Operating segments. This standard will become effective for annual reporting periods starting on or after January 1, 2009. This standard replaces IAS 14 (Segment Reporting) and introduces a new approach, under which segments have to be identified in the same way as for the purposes of internal reporting to top management. The Sogefi Group is evaluating the impact of introducing this standard.*

3. FINANCIAL ASSETS

Classification

In accordance with IAS 32 and 39 and IFRS 7, financial assets are to be classified in the following four categories:
1. *financial assets at fair value through profit and loss;*
2. *held-to-maturity investments;*
3. *loans and receivables;*
4. *available-for-sale financial assets.*

Classification depends on the purpose for which assets are bought and held; management has to decide on their initial classification on initial recognition, subsequently checking that it still applies at each balance sheet date.

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

Financial assets at fair value through profit and loss
This is made up of two sub-categories:
- *financial assets held specifically for trading purposes;*
- *financial assets to be measured at fair value ever since they are purchased. 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 hedge instruments, and their fair value is recognized booking adjustments to 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 of the balance sheet date.

Designation of a financial instrument to this category is considered definitive and can only be done on initial recognition.

Held-to-maturity investments
These are non-derivative assets with fixed or determinable payments and fixed maturities which the Group intends to hold to maturity (e.g. subscribed bonds).
The intention and ability to hold the security to maturity has to be evaluated on initial recognition and confirmed at each balance sheet date.
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 held for trading 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 balance sheet date, 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.
They are classified as non-current assets, unless management intends to dispose of them within 12 months from the balance sheet date.

Accounting treatment

"Financial assets at fair value through profit and loss" (cat. 1) and "Available-for-sale financial assets" (cat. 4) are recorded at their fair value including related purchase costs.

Gains and losses on "Financial assets at fair value through profit and loss" are immediately booked to the income statement.
Gains and losses on "Available-for-sale financial assets" are booked to a separate equity item 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 recognized and booked to equity up to that moment are transferred to the income statement.

Fair value is the amount for which an asset could be exchanged, or a liability extinguished, in an arm's length transaction between knowledgeable, willing parties. Consequently, it is assumed that the firm is a going-concern and that none of its parties needs to liquidate its 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 on the balance sheet date.
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 DCF analysis).
Purchases or sales regulated at "market prices" are recognized 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 fair value cannot be determined with any accuracy, the financial asset is valued at cost, with disclosure in the notes of its type and the reasons for valuing it at cost.

"Held-to-maturity investments" (cat. 2) and "Loans and receivables" (cat. 3) are measured at their "amortized cost" method using the effective interest rate and taking account of any discounts or premiums obtained at the time of acquisition so that they can be recognized 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 recognized during the normal process of amortization that is part of the "amortized cost" method.

Investments in financial assets can only be derecognized 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. INFORMATION BY SEGMENT

Information on the Group's business areas (primary segment) and geographical areas (secondary segment) is provided below in compliance with IAS 14.
Information by business area is also provided for the two divisions, Filtration and Suspension Components, as well as for the Holding Company Sogefi S.p.A..

Primary segment: business areas

The following tables give key figures for the Group's two divisions relating to 2007 and 2008:

(in thousands of Euro)	2007				
	Filtration Division	*Suspension Components Division*	*Sogefi S.p.A.*	*Adjustments*	*Sogefi Group consolidation*
REVENUES					
Sales to third parties	547,698	523,947	-	-	1,071,645
Intersegment sales	527	632	7,890	(8,929)	120
TOTAL REVENUES	548,225	524,579	7,890	(8,929)	1,071,765
RESULTS					
EBIT	49,141	50,327	(9,325)	(276)	89,867
Financial expenses, net					(9,418)
Income from equity investments					108
Losses from equity investments					-
Profit before taxes					80,557
Income taxes					(25,390)
Loss (profit) attributable to minority interests					(2,967)
NET PROFIT					52,200
BALANCE SHEET					
ASSETS					
Segment assets	347,016	445,007	405,249	(476,452)	720,820
Equity investments in associated companies	-	101	-	-	101
Unallocated assets	-	-	-	92,529	92,529
TOTAL ASSETS	347,016	445,108	405,249	(383,923)	813,450
LIABILITIES					
Segment liabilities	203,805	295,619	160,825	(173,513)	486,736
TOTAL LIABILITIES	203,805	295,619	160,825	(173,513)	486,736
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	21,001	25,764	203	25	46,993
Depreciation, amortization and writedowns	18,609	24,754	5,586	(4,931)	44,018

(in thousands of Euro)	2008				
	Filtration Division	Suspension Components Division	Sogefi S.p.A.	Adjustments	Sogefi Group consolidation
REVENUES					
Sales to third parties	496,504	520,833	-	-	1,017,337
Intersegment sales	963	1,081	9,781	(11,704)	121
TOTAL REVENUES	497,467	521,914	9,781	(11,704)	1,017,458
RESULTS					
EBIT	26,555	40,154	(3,873)	(397)	62,439
Financial expenses, net					(13,988)
Income from equity investments					127
Losses from equity investments					(345)
Profit before taxes					48,233
Income taxes					(16,793)
Loss (profit) attributable to minority interests					(2,945)
NET PROFIT					28,495
BALANCE SHEET					
ASSETS					
Segment assets	304,993	423,261	417,644	(468,642)	677,256
Equity investments in associated companies	-	101	-	-	101
Unallocated assets	-	-	-	95,673	95,673
TOTAL ASSETS	304,993	423,362	417,644	(372,969)	773,030
LIABILITIES					
Segment liabilities	182,106	272,711	300,636	(160,739)	594,714
TOTAL LIABILITIES	182,106	272,711	300,636	(160,739)	594,714
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	22,381	32,879	271	3,405	58,936
Depreciation, amortization and writedowns	17,631	28,684	5,140	(4,329)	47,126

The adjustments to "Total revenues" mainly refer to services provided by Sogefi S.p.A. to other Group companies. This item also includes intersegment sales between the Filtration division and the Suspension components division. Adjustments to "EBIT" refer principally to depreciation on the fixed asset revaluations that arose on the acquisition of 40% of Sogefi Filtration S.p.A. in the year 2000.

On the balance sheet, the adjustments to "Segment assets" refer to the reversal of equity investments and intercompany receivables.
The adjustments to "Unallocated assets" are mainly goodwill and the revaluations of fixed assets that took place at the time of the acquisitions of the Allevard Ressorts Automobile group, 40% of Sogefi Filtration S.p.A., the Filtrauto group and 60% of M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd.

Secondary segment: geographical areas

The following tables give a breakdown of the Group's income statement and balance sheet figures by geographical area "of origin" during 2007 and 2008, based on the country of the company which made the sales or which owns the assets.
The breakdown of revenues by geographical area "of destination", in other words with regard to the nationality of the customer, is analyzed in the directors' report and in the notes to the income statement.

(in thousands of Euro)			*2007*		
	Europe	*South America*	*Others*	*Adjustments*	*Sogefi Group consolidation*
REVENUES					
Sales to third parties	*900,382*	*148,812*	*22,451*	*-*	*1,071,645*
Intersegment sales	*15,573*	*1,762*	*483*	*(17,698)*	*120*
TOTAL REVENUES	*915,955*	*150,574*	*22,934*	*(17,698)*	*1,071,765*
BALANCE SHEET					
ASSETS					
Segment assets	*1,199,043*	*95,920*	*38,285*	*(612,428)*	*720,820*
Equity investments in associated companies	*101*	*-*	*-*	*-*	*101*
Unallocated assets	*-*	*-*	*-*	*92,529*	*92,529*
TOTAL ASSETS	*1,199,144*	*95,920*	*38,285*	*(519,899)*	*813,450*
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	*34,602*	*20,918*	*1,256*	*(9,783)*	*46,993*
Depreciation, amortization and writedowns	*41,856*	*4,414*	*(553)*	*(1,699)*	*44,018*

(in thousands of Euro)			*2008*		
	Europe	*South America*	*Others*	*Adjustments*	*Sogefi Group consolidation*
REVENUES					
Sales to third parties	*825,790*	*175,336*	*16,211*	*-*	*1,017,337*
Intersegment sales	*16,996*	*1,078*	*148*	*(18,101)*	*121*
TOTAL REVENUES	*842,786*	*176,414*	*16,359*	*(18,101)*	*1,017,458*
BALANCE SHEET					
ASSETS					
Segment assets	*1,155,170*	*84,933*	*42,252*	*(605,099)*	*677,256*
Equity investments in associated companies	*101*	*-*	*-*	*-*	*101*
Unallocated assets	*-*	*-*	*-*	*95,673*	*95,673*
TOTAL ASSETS	*1,155,271*	*84,933*	*42,252*	*(509,426)*	*773,030*
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	*42,108*	*7,031*	*6,428*	*3,369*	*58,936*
Depreciation, amortization and writedowns	*45,874*	*4,808*	*1,410*	*(4,966)*	*47,126*

C) NOTES ON THE MAIN BALANCE SHEET ITEMS

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to € 49,456 thousand versus € 63,753 thousand as of December 31, 2007 and are made up as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Bank and post office deposits	*49,305*	*62,976*
Cheques	*66*	*206*
Cash and cash equivalents on hand	*85*	*571*
TOTAL	*49,456*	*63,753*

Short-term bank deposits and post office deposits earn interest at a floating rate.

The € 14,297 thousand decrease of this item must be read in conjunction with the increase on the liabilities side of "Bank overdrafts and short-term loans" and is the result of standard treasury management. For further details, please refer to the Analysis of the Net Financial Position in Note 22 and to the Consolidated Cash Flow Statement included in the accounting schedules.

The change in the scope of consolidation has resulted in an increase of "Cash and cash equivalents" of € 334 thousand.

As of December 31, 2008 the Group had unutilized lines of credit of € 228,013 thousand. As all of the conditions have been respected, this means that these funds are available for use on demand.

6. OTHER FINANCIAL ASSETS

"Other financial assets" can be analyzed as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Securities held for trading	*17*	*59*
Assets for derivative financial instruments	*780*	*897*
Due from financial institutions and others	*44*	*-*
TOTAL	*841*	*956*

"Securities held for trading" are shown 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 Group to optimize cash management.

"Assets for derivative financial instruments" amount to € 780 thousand and relate to the fair market value of forward forex contracts in accordance with IAS 32 and 39 and IFRS 7.

7. INVENTORIES

The breakdown of inventories is as follows:

	12.31.2008			12.31.2007		
(in thousands of Euro)	*Gross*	*Writedowns*	*Net*	*Gross*	*Writedowns*	*Net*
Raw, ancillary and consumable materials	*48,256*	*4,024*	*44,232*	*47,055*	*4,264*	*42,791*
Work in progress and semifinished products	*13,481*	*334*	*13,147*	*14,659*	*372*	*14,287*
Contract work in progress and advances	*3,042*	*-*	*3,042*	*2,597*	*-*	*2,597*
Finished goods and goods for resale	*61,388*	*7,317*	*54,071*	*61,359*	*7,866*	*53,493*
TOTAL	*126,167*	*11,675*	*114,492*	*125,670*	*12,502*	*113,168*

The gross value of inventories is stable compared with the previous year. If the negative exchange effect of € 5,513 thousand and the increase due to the change in the scope of consolidation of € 947 thousand are excluded, the gross value of inventories shows an increase of € 5,063, which is linked to the economic climate and reflects, on the one hand, the increase in the cost of materials (particularly steel) and on the other hand, the significant fall in sales volumes suffered in the latter part of the year.
Writedowns mainly consist of provisions for raw materials that can no longer be used for current production and for obsolete or slow-moving finished products, goods for resale and ancillary materials. The reduction in the provision is related to the demolition of products in stock during the year, for € 1,214 thousand, better stock turnover for € 808 thousand, and a negative exchange effect for € 437 thousand, partially offset by a further provision of € 1,632 thousand, which in the income statement is shown under "Variable cost of sales".
Furthermore, the fire that broke out at the plant of the subsidiary Allevard Springs Ltd in July 2008 destroyed warehouse stock worth € 2,319 thousand, a fair part of which was replenished at the plants used temporarily for production.

Inventories are encumbered by mortgages and bank guarantees totalling € 947 thousand to guarantee loans obtained from subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd.

8. TRADE AND OTHER RECEIVABLES

Current receivables are analyzed as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Trade receivables	*170,887*	*222,280*
Less: allowance for doubtful accounts	*5,871*	*5,706*
Trade receivables, net	*165,016*	*216,574*
Due from Parent Company	*4,885*	*3,406*
Due from associated companies	*72*	*117*
Tax receivables	*14,934*	*10,730*
Other receivables	*19,019*	*5,982*
Other assets	*3,801*	*2,551*
TOTAL	*207,727*	*239,360*

"Trade receivables, net" relate to non-interest bearing receivables that have an average due date of 68 days, compared with 65 days twelve months earlier.
The decrease in this item was mainly due to the significant fall in sales recorded in the last quarter of the year compared with the same period of the previous year. The reduction in this item was also partially due to an exchange effect for € 5,834 thousand.

The increase due to the change in the scope of consolidation amounted to € 1,156 thousand.

Further adjustments were booked to the "Allowance for doubtful accounts" during the year for a total of € 1,432 thousand, against net utilizations of the allowance of € 966 thousand (see note 39 for further details). Writedowns, net of provisions not used during the period, were charged to the income statement in "Variable cost of sales – Variable sales and distribution costs".

"Due from Parent Company" as of December 31, 2008 is the amount receivable from CIR S.p.A., Sogefi's Parent company, in connection with the Group tax filing system.
See chapter F for the terms and conditions governing these receivables.

"Tax receivables" as of December 31, 2008 include tax credits due to Group companies in various countries. It does not include deferred taxes which are treated separately.
The increase in this item compared to the previous year is mainly due to both the increase of VAT credit of Italian subsidiaries (following the significant reduction in business activities in the last quarter of 2008, which resulted in lower VAT debts) and advance payments of direct taxes made in 2008, based principally on the results of the previous year.

"Other receivables" are made up as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Amounts due from social security institutions	*375*	*676*
Amounts due from employees	*311*	*142*
Advances to suppliers	*388*	*765*
Due from others	*17,945*	*4,399*
TOTAL	*19,019*	*5,982*

The decrease in "Amounts due from social security institutions" mainly relates to recovery of the advances paid by the Italian subsidiary Rejna S.p.A. to social security institutions on behalf of employees on redundancy benefits.
The decrease in "Advances to suppliers" is related to the lower amounts paid to suppliers for the purchase of services.
The increase in "Due from others" mainly relates to the anticipated insurance reimbursement of around € 13 million to be paid to the subsidiary Allevard Springs Ltd, for damages generated by the fire that broke out in the Clydach plant in July, and to the insurance reimbursement of around € 1.8 million to be paid to the subsidiary Sogefi Filtration S.p.A. for costs already paid to customers.

"Other assets" mainly consist of accrued income and prepaid expenses on insurance premiums and on indirect taxes on buildings.
The increase in this item is mainly due to the following factors: € 0.6 million relates to prepaid royalties relating to future years, paid by the Holding Company Sogefi S.p.A. to Honeywell International Inc. on the basis of a new agreement signed in 2008 that envisages the extension licenses for the Fram trademark until June 30, 2021; € 0.7 million refers to the prepayment of expenses incurred by the subsidiary Filtrauto S.A. for a new 4-year distribution agreement with the customer Autodistribution International.

9. TANGIBLE FIXED ASSETS

The net value of tangible fixed assets as of December 31, 2008 amounted to € 236,581 thousand versus € 240,044 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)			*2007*		
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	15,623	213,899	4,450	15,277	249,249
Additions of the period	*30*	*11,600*	*1,087*	*23,131*	*35,848*
Disposals during the period, net	*-*	*(101)*	*(11)*	*(19)*	*(131)*
Exchange differences	*27*	*(3,300)*	*(140)*	*(275)*	*(3,688)*
Depreciation for the period	*-*	*(35,330)*	*(1,625)*	*-*	*(36,955)*
Writedowns/revaluations during the period	*-*	*2,542*	*-*	*-*	*2,542*
Reclassification of assets held for sale	*(2,436)*	*(4,320)*	*-*	*-*	*(6,756)*
Other changes	*(1,890)*	*12,564*	*645*	*(11,384)*	*(65)*
Balance at December 31	11,354	197,554	4,406	26,730	240,044
Historical cost	*11,354*	*689,576*	*27,152*	*26,834*	*754,916*
of which: leases - gross value	1,156	15,214	-	-	16,370
Accumulated depreciation	*-*	*492,022*	*22,746*	*104*	*514,872*
of which: leases - accumulated depreciation	-	3,717	-	-	3,717
Net value	*11,354*	*197,554*	*4,406*	*26,730*	*240,044*
Net value - leases	1,156	11,497	-	-	12,653

(in thousands of Euro)			*2008*		
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	11,354	197,554	4,406	26,730	240,044
Additions of the period	*2*	*16,872*	*923*	*23,285*	*41,082*
Disposals during the period, net	*-*	*(203)*	*(1)*	*(37)*	*(241)*
Exchange differences	*(294)*	*(9,776)*	*(235)*	*(1,906)*	*(12,211)*
Depreciation for the period	*-*	*(33,359)*	*(1,465)*	*-*	*(34,824)*
Writedowns/revaluations during the period	*-*	*(4,278)*	*(50)*	*-*	*(4,328)*
Reclassification of assets held for sale	*2,436*	*3,471*	*-*	*-*	*5,907*
Change to scope of consolidation	*431*	*542*	*91*	*107*	*1,171*
Other changes	*-*	*18,727*	*914*	*(19,660)*	*(19)*
Balance at December 31	13,929	189,550	4,583	28,519	236,581
Historical cost	*13,929*	*682,596*	*27,146*	*28,519*	*752,190*
of which: leases - gross value	1,158	14,611	-	-	15,769
Accumulated depreciation	*-*	*493,046*	*22,563*	*-*	*515,609*
of which: leases - accumulated depreciation	-	3,990	-	-	3,990
Net value	*13,929*	*189,550*	*4,583*	*28,519*	*236,581*
Net value - leases	1,158	10,621	-	-	11,779

Capital investment during the year amounted to € 41,082 thousand compared with € 35,848 thousand in the previous year.

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

Of the most important projects undertaken in the "Buildings, plant and machinery, commercial and industrial equipment" category, we draw attention to significant investments made to upgrade plant and optimise production flows in the subsidiaries Allevard Rejna Autosuspensions S.A., LPDN GmbH, Rejna S.p.A., Issa S.A. and Allevard Molas do Brasil Ltda.
Numerous other smaller investments were made during the year, which focused on upgrading production plants and developing new products.
As regards improvements made to buildings, we would like to mention investments made in the subsidiaries LPDN GmbH and Allevard Sogefi U.S.A. Inc..

Many of these projects were initiated towards the end of the year, which explains the high balance of "Assets under construction and payments on account".
The largest projects were undertaken in the subsidiaries Sogefi Filtration Ltd, Sogefi Filtration S.p.A., Allevard Rejna Autosuspensions S.A., Filtrauto S.A., Allevard Rejna Argentina S.A., Shanghai Sogefi Auto Parts Co. Ltd (for the construction of a new stabiliser bar production line and new equipment) and Allevard Sogefi U.S.A. Inc. (for the construction of new filter production lines).

"Writedowns/revaluations during the period" amounted to € 4,328 thousand and almost exclusively regard writedowns of buildings, plant, machinery and other assets used by the subsidiary Allevard Springs Ltd following the fire mentioned previously.

"Reclassification of assets held for sale" refers to an industrial building and relative land, and the office block owned by the Holding Company Sogefi S.p.A., reclassified from "Non-current assets held for sale" to "Tangible fixed assets" due to the fact that the disposal of the same within twelve months, as envisaged, was not achieved. For further details, please refer to note 15.

"Change to scope of consolidation" includes the value of the tangible fixed assets of the subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd which were included in the scope of consolidation in 2008.

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

The balance of "Assets under construction and payments on account" as of December 31, 2008 includes € 1,006 thousand of advances for investments.

The following are the main unused assets included in "Tangible fixed assets":
- *€ 1,421 thousand relating to an industrial building owned by the subsidiary Rejna S.p.A. located in Melfi;*
- *€ 820 thousand relating to an industrial building, and related land, owned by the Holding Company Sogefi S.p.A. and located in Mantua;*
- *€ 5,174 thousand relating to a building complex owned by the Holding Company Sogefi S.p.A. and located in San Felice del Benaco.*

The book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not subject to the accounting treatment envisaged by IFRS5.

The depreciation charge for the period has been recorded in the income statement under "Depreciation and amortization".

Guarantees

Tangible fixed assets as of December 31, 2008 are encumbered by mortgages and liens totalling € 640 thousand to guarantee loans from financial institutions, compared to € 5,681 thousand as of December 31, 2007. The decrease with respect to the previous year related to the cancellation of the guarantee made by the subsidiary Rejna S.p.A. to a financial institution, following the repayment of the relative loan. Guarantees as of December 31, 2008 refer to subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd.

Purchase commitments

As of December 31, 2008 there are binding commitments to buy tangible fixed assets for € 1,868 thousand (€ 3,591 thousand as of December 31, 2007).

Leases

No significant changes occurred in 2008.
The financial aspects of the lease instalments and their due dates are explained in note 16.

10. INTANGIBLE ASSETS

The net balance as of December 31, 2008 was € 127,255 thousand versus € 118,674 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	*2007*				
	Development costs	*Industrial patents and intellectual property rights, concessions licences and trademarks*	*Other, assets under construction and payments on account*	*Goodwill*	*TOTAL*
Balance at January 1	17,811	1,994	6,932	90,666	117,403
Additions of the period	*7,283*	*471*	*3,395*	-	*11,149*
Disposals during the period, net	*(123)*	-	*(1)*	-	*(124)*
Exchange differences	*145*	*(14)*	*(100)*	-	*31*
Amortization for the period	*(6,019)*	*(1,400)*	*(318)*	-	*(7,737)*
Writedowns during the period	*(512)*	*(1,356)*	-	-	*(1,868)*
Other changes	*2,649*	*2,032*	*(4,861)*	-	*(180)*
Balance at December 31	21,234	1,727	5,047	90,666	118,674
Historical cost	*53,907*	*17,252*	*7,756*	*113,565*	*192,480*
Accumulated amortization	*32,673*	*15,525*	*2,709*	*22,899*	*73,806*
Net value	*21,234*	*1,727*	*5,047*	*90,666*	*118,674*

(in thousands of Euro)	2008				
	Development costs	*Industrial patents and intellectual property rights, concessions licences and trademarks*	*Other, assets under construction and payments on account*	*Goodwill*	*TOTAL*
Balance at January 1	21,234	1,727	5,047	90,666	118,674
Additions of the period	*6,912*	*2,348*	*5,189*	*3,405*	*17,854*
Disposals during the period, net	*(4)*	*-*	*(9)*	*-*	*(13)*
Exchange differences	*(1,140)*	*10*	*(111)*	*-*	*(1,241)*
Amortization for the period	*(6,387)*	*(1,042)*	*(362)*	*-*	*(7,791)*
Writedowns during the period	*-*	*-*	*(183)*	*-*	*(183)*
Other changes	*1,362*	*104*	*(1,511)*	*-*	*(45)*
Balance at December 31	21,977	3,147	8,060	94,071	127,255
Historical cost	*56,044*	*15,170*	*10,376*	*116,970*	*198,560*
Accumulated amortization	*34,067*	*12,023*	*2,316*	*22,899*	*71,305*
Net value	*21,977*	*3,147*	*8,060*	*94,071*	*127,255*

Investments made in the period amounted to € 17,854 thousand compared to € 11,149 thousand in the previous year.

The increase in "Development Costs" refers to the capitalisation of costs incurred by the company to develop new products in collaboration with leading motor vehicle manufacturers.

The increase in "Industrial patents and intellectual property rights, concessions, licences and trademarks" refers mainly to the patent for the creation of composite materials (€ 1.1 million), acquired by Sardou S.A. as part of the joint venture agreement, and to licences for the information management system purchased for the Suspension Components Division (€ 0.4 million).
The additions to "Other, assets under construction and payments on account" are principally due to the costs incurred for the acquisition or internal production of intangible assets not yet in use. This item includes around € 0.9 million for the costs for the implementation of the new information system mentioned above. It does not include advances to suppliers for the purchase of fixed assets.

The increase in "Goodwill" represents the difference between the purchase cost (€ 4,673 thousand) and the share held of the equity (€ 1,268 thousand) of subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd included in the scope of consolidation for the first time in 2008. By virtue of the provisions of IFRS 3, paragraph 61 and following, it should be noted that given the fact that the acquisition took place at the end of the year the Group has provisionally recorded the business combination of the Indian subsidiaries entirely allocating the entire difference between the purchase cost and the relevant share of equity of the acquired companies to goodwill. The Group reserves the right to adjust said allocation when the calculation of the fair value of the acquired assets and liabilities has been completed and in any event not beyond twelve months from the acquisition date. In any event there are not expected to be any significant variations with respect to the provisional allocation.
With the exception of "Goodwill", no other intangible asset items have been affected by the change in the scope of consolidation.

"Development costs" principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks" consist of costs that are largely acquired externally.
"Other, assets under construction and payments on account" include around € 4,336 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 amortized, but subjected each year to impairment testing.

The Company has identified four CGUs (Cash Generating Units) to which the goodwill deriving from acquisitions could be allocated:
- *filtration*
- *car suspension components*
- *industrial vehicle suspension components*
- *precision springs*

For the moment, it is possible to identify goodwill deriving from external acquisitions in only two of these segments: filtration and car suspension components.

The goodwill allocated to the Filtration Division amounts to € 77,023 thousand, with € 17,048 thousand being allocated to the Car Suspension Components Division.

Impairment test has 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 the value in use, given by the present value of estimated future cash flows that are expected to result from the continuous use of the asset being tested for impairment.
We used the method that involves discounting unlevered cash flows, based on forecasts for the period 2009-2012, as approved by management, and on a discount rate of 7.9%, which reflects the average cost of capital.

Forecasts were based on a 2009 budget drawn up by company management on the basis of 2008 results, taking into due consideration the outlook for the automotive market, mainly registrations of new cars, which envisages a prudential reduction of the Group's turnover on the basis of the geographical area and business sector. On the basis of the 2009 budget and foreseeing a reasonable growth rate of business volumes, in line with the Group's past trends, plans for the three year period 2010-2012 have been drawn up, assuming a cost structure in line with that of 2008, and taking the work to upgrade and rationalise facilities currently underway into account. The above-mentioned plans have considered the current uncertainties as to trends in the automotive sector, as well as the strengths of the company, which will continue to invest in research and development, and which benefits from a low concentration of risk due to its widespread presence and an extensive customer portfolio made up of the major motor vehicle manufacturers, but that is not significantly reliant on any single customer.
Current forecasts on the Group's future cash flows, in line with the trends of the automotive sector as forecasted by several of the most important sector experts, are as a whole worse than in the past. With specific reference to the 2009 budget, the car suspension components CGU is the unit that is most affected as its business is focused on original equipment, whereas a more limited reduction is envisaged for the filtration CGU which operates in the aftermarket as well and is not influenced by new car registrations.

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 2012), adjusted to project a stable situation "in perpetuo", based on the following main assumptions:
- *a balance between capital investment and depreciation (according to the logic 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).*

The previous year, for the sake of prudence, a growth rate of zero had been used. This year, as management had already prudentially considered market uncertainties in their budget forecasts and plans, they considered it reasonable to apply a growth rate in line with standard practice, taking into account that the effect is offset by the discounting perpetual cash flow. It should be noted that the application of a zero growth rate in the calculation of the perpetual cash flow of the 2008 impairment test would not have led to any writedown.

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

- *financial structure of the industry: 41.3%*
- *unlevered beta of the industry: 0.59*
- *risk free rate: 4.4%*
- *risk premium: 5%*
- *spread: 1%*

The test based on the present value of the estimated future cash flows justifies a level of goodwill that is considerably higher than the amount shown in the balance sheet, so no writedown has been posted.
Sensitivity analyses were then carried out on the basic assumptions and the parameters used, more specifically, a change of one percentage point in the growth rate and two percentage points in the calculation of the average cost of capital was assumed. On the basis of the sensitivity analysis, we believe that potential reasonable changes in the underlying assumptions would not reduce the value with respect to those recorded in the financial statements.

11. EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

As of December 31, 2008 these amounted to € 101 thousand, the same as last year.
The item includes the associated company Allevard Ressorts Composites S.A.S. and is detailed as shown below:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
% held	*50.00*	*50.00*
Balance at January 1	101	101
Share of profit	-	-
Writedowns	-	-
Sale	-	-
Balance at December 31	101	101

The following table summarizes information on the associated company Allevard Ressorts Composites S.A.S.:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Total assets	*1,048*	*1,942*
Total liabilities	*420*	*1,166*
Total revenues	*2,572*	*3,246*
Net profit for the year	*106*	*288*

A list of equity investments in associated companies is provided in chapter H of this document.

12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2008 these totalled € 442 thousand, compared with € 497 thousand as of December 31, 2007, and break down as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Equity investments in other companies	*442*	*497*
TOTAL	*442*	*497*

The balance of "Equity investments in other companies" refers principally to Afico Filters S.A.E. measured at fair value which corresponds to its cost. The decrease of this item compared to the previous year is mainly due to the winding up of the non-consolidated subsidiary Autorubber S.r.l., set up at the end of the previous year, which resulted in the recognition of expenses of € 50 thousand on the income statement, corresponding to the book value of the equity investment.
In 2008, the Holding Company, Sogefi S.p.A., subscribed a minority shareholding of 15% in a company called Iniziative Immobiliari BRE-MA S.r.l. established by leading real estate companies for the purpose of purchasing the building complex in San Felice del Benaco and the office block in Mantua, owned by the Holding Company Sogefi S.p.A., during the course of 2008. The sales agreement was not executed and the company was therefore wound up. The item "Losses (Gains) from equity investments" in the income statement includes a loss of € 5 thousand represented by the residual portion of the equity investment's book value.

13. FINANCIAL RECEIVABLES AND OTHER RECEIVABLES

"Financial receivables" amount to € 22 thousand and mainly include unites of SBI funds held by the subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd.

"Other receivables" amounts to € 8,772 thousand and breaks down as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Substitute tax	*576*	*1,272*
Pension fund surplus	*4,048*	*124*
Other receivables	*4,148*	*3,578*
TOTAL	*8,772*	*4,974*

"Substitute tax" relates to the amount recognized by the Holding Company Sogefi S.p.A. for the revaluation of buildings at the end of 2005. The reduction that occurred during the year refers to substitute tax paid on the Mantua property booked to the income statement, with the simultaneous provision of the related deferred tax assets, as indicated in note 20, given the suspension of business activities in the building in question and its possible use for a different purpose in the future.

The "Pension fund surplus" concerns the subsidiary Sogefi Filtration Ltd, as explained in note 19 to which reference should be made. The increase in this item is due to contributions paid in 2008.

"Other receivables" mainly includes tax credits, including those on purchases of assets made by the Brazilian subsidiaries and grants receivable by various Group companies for their investment plans and non-interest bearing guarantee deposits for leased properties. These receivables will be collected over the coming years.
The increase in this item is mainly due to the tax credit of the subsidiaries Allevard Rejna Autosupensions S.A. and Sogefi Filtration S.A. resulting from tax losses during the current year, which will be recovered against taxable income from 2010 onwards.

14. DEFERRED TAX ASSETS

As of December 31, 2008 this item amounts to € 26,688 thousand compared with € 25,167 thousand as of December 31, 2007.
This amount relates to the benefits due on deductible temporary differences, booked to the extent that they are likely to be recovered. Reference should be made to note 20 for a further discussion of this matter.

15. NON-CURRENT ASSETS HELD FOR SALE

This item includes the net value of € 653 thousand of the building of the UK subsidiary, United Springs Ltd, held for sale.

As of December 31, 2007, this item also included an industrial building and related land and the office block owned by the Holding Company Sogefi S.p.A. and amounting to € 5,907 thousand. In order to sell these assets, in March 2008, Sogefi S.p.A. acquired a minority shareholding of 15% in Iniziative Immobiliari BRE-MA S.r.l.. As the sale agreement was not executed, the latter company was wound up and the related assets were reclassified from "Non-current 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 follows:

Current portion

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Bank overdrafts and short-term loans	*19,750*	*12,418*
Current portion of medium/long-term financial debts	*35,733*	*13,696*
of which: leases	1,385	1,340
of which: purchase commitments	-	-
Total loans maturing within one year	*35,733*	*13,696*
TOTAL SHORT-TERM FINANCIAL DEBTS	*55,483*	*26,114*
Other short-term liabilities for derivative financial instruments	*473*	*469*
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	*55,956*	*26,583*

Non-current portion

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Financial debts to banks	*238,612*	*118,005*
Other medium/long-term financial debts	*10,723*	*12,492*
of which: leases	7,206	9,133
of which: purchase commitments	-	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	*249,335*	*130,497*
Other medium/long-term financial liabilities for derivative financial instruments	*2,263*	*-*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	*251,598*	*130,497*

The increase in "Short-term financial debts" and in "Medium/long-term financial debts" relates to the payment, in May, of total dividends, including minority interests, of € 162.5 million, € 134.4 million of which was an extraordinary dividend, as resolved upon by the Ordinary Shareholders' Meeting held April 22, 2008, which approved the financial statements for the year ended December 31, 2007. The change in the scope of consolidation led to an increase of € 244 thousand in "Short-term financial debts" and of € 326 thousand in "Medium/long-term financial debts". As of December 31, 2008 the Group had unutilized lines of credit of € 228,013 thousand; all of the conditions are respected, which means that these funds are available for use on demand.

Current portion of medium/long-term financial debts

As of December 31, 2008, this item principally includes the following loans:

- *the current portion (€ 11.1 million) of the loan obtained by the Holding Company Sogefi S.p.A. in 2006 of € 100 million and entirely drawn down at the end of 2008. The loan expires in September 2013 and has a floating interest rate corresponding to Euribor plus a spread of 22.5 basis points. The spread actually applied at the end of 2008 corresponded to 30.0 basis points. The loan is not secured against any of the company's assets;*
- *the current portion (€ 8.3 million) of the loan obtained by the Holding Company Sogefi S.p.A. in 2006 of € 50 million and entirely drawn down at the end of 2008. The loan expires in September 2013 and has a floating interest rate corresponding to Euribor plus a spread of 22.5 basis points. The spread actually applied at the end of 2008 corresponded to 32.5 basis points. The loan is not secured against any of the company's assets;*

- *the current portion (€ 6.7 million) of the loan obtained by the subsidiary Allevard Federn GmbH for an original value of € 30 million (the residual amount as of December 31, 2008 totalled € 13.3 million) repayable in annual instalments expiring in December 2010. This loan bears a floating interest rate corresponding to Euribor plus a spread of 80 basis points up until December 2008, after which it falls to 70 basis points for the subsequent periods. The loan is not secured against any of the subsidiary's assets;*
- *the current portion (€ 2,000 thousand) of the loan obtained by the subsidiary Sogefi Filtration S.A. for an original value of € 8,000 thousand (the residual amount as of December 31, 2008 was € 3 million) repayable in six-monthly instalments ending in January 2010. This loan bears a floating interest rate corresponding to Euribor plus a spread of 45 basis points. The loan is not secured against any of the subsidiary's assets;*
- *the current portion of other minor medium/long-term loans, including finance lease instalments in accordance with IAS 17.*

Other short-term liabilities for derivative financial instruments

This includes the current portion of financial instruments in compliance with IAS 32 and 39 and IFRS 7. The latter relate to the fair value of forward contracts in foreign currency subscribed to hedge exchange risk.
Reference should be made to chapter E for a further discussion of this matter.

Medium/long-term financial debts

This includes:
- *the drawdown of € 99.5 million of the syndicated loan obtained in June 2008 for a total of € 160 million. The syndicated loan expires in June 2013 and bears a floating interest rate corresponding to Euribor plus a spread, effectively applied in 2008, of 50 basis points;*
- *the medium/long-term portion corresponding to € 88.7 million of the loan obtained by the Holding Company Sogefi S.p.A. in 2006, of € 100 million, and entirely drawn down at the end of 2008;*
- *the medium/long-term portion corresponding to € 41.6 million of the loan obtained by the Holding Company Sogefi S.p.A. in 2006, of € 50 million, and entirely drawn down at the end of 2008;*
- *the non-current portion of the loans granted to Allevard Federn GmbH and Sogefi Filtration S.A..*

The item "Other medium/long-term financial debts" includes the non-current portion of other minor loans, including finance lease instalments in accordance with IAS 17.

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

This item includes the medium/long-term portion of financial instruments in accordance with IAS 32 and 39 and IFRS 7. The latter refer to the fair value of interest rate swap and collar contracts subscribed by the Holding Company Sogefi S.p.A. to transform part of its medium/long-term loans from floating interest rate to fixed interest rate.

Finance leases

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

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

(in thousands of Euro)	*Instalments*	*Capital*
Within 12 months	*1,886*	*1,385*
Between 1 and 5 years	*6,175*	*4,779*
Beyond 5 years	*3,706*	*2,427*
Total lease payments	*11,767*	*8,591*
Interests	*(3,176)*	*-*
TOTAL PRESENT VALUE OF LEASE PAYMENTS	*8,591*	*8,591*

The contracts making up this caption were made by the following subsidiaries:

– *Sogefi Filtration Ltd for a long-term rental contract for the Tredegar production site. The contract expires in September 2022 and the original total amount of the contract was GBP 6,258 thousand, whereas future instalments not yet due amount to GBP 4,970 thousand and the annual nominal rate of interest applied by the lessor is 9.7%.*
  The Group has not given any guarantees for this contract.
  This contract has been given the accounting treatment laid down in IAS 17 because the present value of the rent payments coincides approximately with the fair value of the asset at the time the contract was signed.

– *Allevard Rejna Autosuspensions S.A. has entered into two lease contracts for the following production sites:*

a) *Lieusaint. It should be noted that in 2008, the amount financed was increased by € 230 thousand following work to extend the site. The contract expires in October 2014 and the original total amount of the contract was € 6,575 thousand, whereas future instalments not yet due amount to € 4,360 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 guarantees for this contract.*

b) *Fronville. The contract expires in June 2012 and the original total amount of the contract was € 6,412 thousand, whereas future instalments not yet due amount to € 2,189 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 72 basis points. The Group has not given any guarantees for this contract.*

There are no restrictions of any kind on these leases. There is a purchase option at the end of the contracts to buy the assets, namely € 4 for the production site at Lieusaint and € 305 thousand for the site at Fronville. Given that it is likely that the options will be exercised, considering the low redemption values of the assets, these contracts have been accounted for as finance leases, as required by IAS 17.

17. TRADE AND OTHER CURRENT PAYABLES

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

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Trade and other payables	*204,094*	*228,858*
Tax payables	*4,181*	*11,821*
TOTAL	*208,275*	*240,679*

Details of trade and other payables are as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Due to suppliers	*159,892*	*177,086*
Due to tax authorities for indirect and other taxes	*5,128*	*7,029*
Due to social and security institutions	*14,858*	*15,910*
Due to employees	*19,554*	*23,558*
Other payables	*4,662*	*5,275*
TOTAL	*204,094*	*228,858*

The amounts "Due to suppliers" are not subject to interest and on average are settled in 91 days, compared to 78 days in 2007.
There is no significant concentration of payables due to any one supplier or small group of suppliers.
The decrease in the amounts due to suppliers is attributable for € 5,829 thousand to a negative exchange effect and, for the remainder, to the fall in purchases consequent on the reduction in sales volumes in the latter part of the year. The effect of the change in the scope of consolidation was € 742 thousand.

The reduction in the item "Due to tax authorities for indirect and other taxes" is mainly due to the reduction in payables for VAT resulting from the lower level of business volumes in the last few months of 2008.

The fall in amounts "Due to social and security institutions" and "Due to employees" is due to lower allocations for holiday leave accrued but not taken, due to the slowdown in business activities in November and December and the consequent use of accrued holiday leave, and to lower accruals for bonuses.
As regards the reduction in the "Tax payables" figure, € 5,945 thousand is due to the payment of tax payables relating to 2006 and 2007 on behalf of the subsidiary LPDN GmbH, through its direct parent company Allevard Federn GmbH, with the remainder due to lower taxes in 2008 as a consequence of lower results for the 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 basis of accounting (accrued expenses and deferred income) and advances received from customers for orders still to be delivered. This item shows a fall of € 1,214 thousand compared to the previous year due to lesser advances received from customers and to the reclassification of interest accrued on loans in the relevant financial items.

19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Pension funds	*23,470*	*23,718*
Provision for employment termination indemnities	*10,190*	*14,207*
Provision for restructuring	*4,460*	*6,003*
Provisions for disputes with tax authorities	*5,491*	*7,062*
Provision for phantom stock options	*344*	*253*
Provision for product warranties	*936*	*1,800*
Other risks	*3,010*	*4,645*
Agents' termination indemnities	*148*	*135*
Lawsuits	*834*	*942*
TOTAL	*48,883*	*58,765*

Details of the main items are given below.

Pension funds

The amount of € 23,470 thousand represents what was set aside at the end of the year by the various Group companies to cover the liabilities of their various pension funds. We point out that as of December 31, 2008 the pension fund of Sogefi Filtration Ltd shows a surplus of € 4,048 thousand which is reported on the line "Other receivables", as explained in note 13. The net amount of the liabilities to the various pension funds as of December 31, 2008 therefore came to € 19,422 thousand, as shown in the following table which shows movements in "Pension funds" during the course of the year:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Opening balance	*23,594*	*31,999*
Cost of benefits charged to income statement	*1,129*	*(44)*
Contributions paid	*(5,748)*	*(8,023)*
Change to scope of consolidation	*7*	*-*
Exchange differences	*440*	*(338)*
TOTAL	*19,422*	*23,594*
of which booked to liabilities	23,470	23,718
of which booked to assets	(4,048)	(124)

Note that last year benefitted from a change in the law regarding pension funds in the UK, which led to a reduction in liabilities of around € 2 million, recorded as "Cost of benefits charged to income statement".

"Contributions paid", which principally related to UK pension funds, have fallen with respect to last year due to lower ordinary contributions (linked to lower wages following the reduction in business activities) and lower extraordinary contributions (due to the lower disbursements required for the payment of dividends given the better financial situation of the fund) for a total of around € 1.3 million and due to exchange differences of around € 0.8 million. The overall amount of extraordinary contributions paid in 2008 to UK pension funds, needed to guarantee the payment of dividends by said subsidiaries and to enable the deficit to be reduced, came to GBP 2.4 million, compared to GBP 3.2 million in 2007.

"Change to scope of consolidation" refers to the pension funds of subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd.

The amounts charged to the income statement can be summarised as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Current service cost	*2,046*	*2,041*
Reduction due to regulatory change	*-*	*(2,020)*
Interest cost	*8,545*	*8,886*
Expected return on plan assets	*(8,931)*	*(8,804)*
Actuarial (gains) losses recognized during the year	*(551)*	*(130)*
Settlements/curtailments	*20*	*(17)*
TOTAL	*1,129*	*(44)*

The caption "Current service cost" is included in the various lines devoted to "Labour cost" in the income statement. Last year, the item "Reduction due to regulatory change" represented the benefit deriving from the change in the rules governing the British pension funds, as mentioned previously. This item was included for € 268 thousand in "Administrative and general expenses" and for € 1,752 thousand in "Other non-operating expenses (income)" as being related to 2006.
"Interest cost" and "Expected return on plan assets" are included in "Financial expenses (income), net". If exchange differences are excluded, "Interest cost" shows an increase of € 850 thousand and "Expected return on plan assets" an increase of € 1,615 thousand; said increases reflect the growth of interest rates as shown in the tables below, which summarise the actuarial assumptions utilised.
The other items are included in "Administrative and general expenses" and "Other non-operating expenses (income)". The increase in "Actuarial (gains) losses recognized during the year" refers mainly to the different discount rate applied in 2007 and in 2008 to the pension funds of French subsidiaries.

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

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Great Britain	*(2,920)*	*1,801*
France	*19,053*	*18,322*
Germany	*3,072*	*3,147*
Other	*217*	*324*
TOTAL	*19,422*	*23,594*

The fall in the figure for the UK is mainly due to an extraordinary disbursement of GBP 2.4 million made in the year.

The following paragraphs illustrate the pension systems in the 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 asset management companies and administered independently from the company.
They are classified as defined-benefit plans subject to actuarial valuation and 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:

	12.31.2008	12.31.2007
Discount rate %	6.20	5.70
Expected rate of return on plan assets %	4.00-7.50	4.50-7.00
Expected annual wage rise %	3.25-3.80	3.75-4.10
Annual inflation rate %	2.80	3.10-3.30
Retirement age	65	65

The increase in the "Discount rate" and in the "Expected rate of return on plan assets" compared with the previous year is mainly due to the upward trend in returns on fixed-income investments during 2008, particularly on AA-rated corporate bonds.

France

Pensions in France are essentially based on State pension plans and the responsibility of the company is limited to paying the contributions laid down 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.
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:

	12.31.2008	12.31.2007
Discount rate %	5.85-6.25	5.25
Expected annual wage rise %	2.50-3.50	2.5-3.5
Annual inflation rate %	2.0	2.0
Retirement age	60-65	60-64

The increase in the "Discount rate" compared with the previous year is mainly due to the upward trend in returns on fixed-income investments during 2008, particularly on AA-rated corporate bonds.

The following table shows all of the obligations deriving from pension funds and the present value of the assets servicing the plans.

(in thousands of Euro)	12.31.2008	12.31.2007
Present value of defined benefit obligations	124,549	164,415
Fair value of the plan assets	(108,292)	(148,962)
Deficit	16,257	15,453
Pension fund provisions	(23,470)	(23,718)
Surplus recorded in "Other receivables"	4,048	124
Unamortised past service cost (revenue)	17	18
Unrecognized actuarial (gains) losses	(3,148)	(8,123)

The "Deficit" figure as of December 31, 2008 reflects the significant depreciation of the pound sterling against the Euro, compared with the previous period. If we exclude the exchange effect, the "Present value of defined benefit obligations" would come to € 154.5 million and the "Fair value of the plan assets" would amount to € 140 million, with the "Deficit" falling by € 14.5 million.

The decrease of the "Fair value of the plan assets" is due to poor market performance, only partly offset by the above-cited extraordinary payment to the pension fund by UK subsidiaries, amounting to GBP 2.4 million.

The item "Unrecognised actuarial (gains) losses" refers to the sum of the gains and losses not booked to the income statement as lower than the threshold of the corridor.

Provision for employment termination indemnities

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 public sector social security, 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.
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. Applying this new legislation has had a positive impact on the income statement of € 2,074 thousand, net of the previously unrecognised actuarial losses accruing to June 30, 2007.

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

– *Macroeconomic assumptions:*
1. *discount rate: 4.40%*
2. *annual inflation rate: 3.2%*
3. *annual increase in termination indemnity: 3.9%*

– *Demographic assumptions:*
1. *rate of voluntary resignations: 3% - 10% of the workforce;*
2. *retirement age: it was assumed that employees would reach the first of the requirements valid for obligatory general social security;*
3. *probability of death: the RG48 mortality tables produced by the General State Accounting Body were used;*
4. *an annual rate of 2% - 4% was taken for the probability of an earlier death;*
5. *an INPS table split by age and gender was used for the probability of disability.*

The provision has changed as follows during the period:

(in thousands of Euro)	12.31.2008	12.31.2007
Opening balance	14,207	17,160
Accruals for the period	679	1,002
Reduction due to regulatory change	-	(2,074)
Contributions paid	(4,696)	(1,881)
TOTAL	10,190	14,207

The rise in "Contributions paid" refers mainly to the employees of the subsidiary Sogefi Filtration S.p.A. involves in the restructuring plan.

The amounts charged to the income statement can be summarised as follows:

(in thousands of Euro)	*2008*	*2007*
Current service cost	*101*	*232*
Reduction due to regulatory change	*-*	*(2,074)*
Interest cost	*578*	*770*
TOTAL	*679*	*(1,072)*

The unrecognised actuarial losses, as lower than the threshold of the corridor, amount to € 1,399 thousand as of December 31, 2008 (€ 46 thousand as of December 31, 2007). The increase in actuarial losses is linked to the updating of the financial assumptions as of December 31, 2008, with particular regard to the figure for annual increase in termination indemnity (from 3% to 3.9%) and the reduction in the discount rate (from 4.7% to 4.4%).

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 has changed as follows during the period:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Opening balance	*6,003*	*5,905*
Accruals for the period	*3,845*	*6,100*
Utilizations	*(5,225)*	*(4,958)*
Provisions not used during the period	*(163)*	*(1,046)*
Exchange differences	*-*	*2*
TOTAL	*4,460*	*6,003*

"Accruals for the period" refer mainly to the reorganisation of production activities in the subsidiary Sogefi Filtration S.p.A..
"Utilizations" have been booked mainly as reductions of provisions previously set aside for restructuring projects planned and initiated in previous years and completed or being completed by the two divisions during the course of the current year.
The "Provisions not used during the period" relate to amounts previously set aside by the subsidiary Filtrauto S.A. 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" amount to € 3,682 thousand; this figure is recorded in the income statement under "Restructuring costs".

Provisions for disputes with tax authorities

This refers to tax litigation underway with local tax authorities, related mainly to the subsidiaries Sogefi Filtration S.p.A. and Sogefi Filtration do Brasil Ltda, for which the appropriate provisions have been made, even though the final outcome is not yet certain.

The provision has changed as follows during the period:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
Opening balance	*7,062*	*6,119*
Accruals for the period	*473*	*589*
Utilizations	*(49)*	*(92)*
Provisions not used during the period	*(777)*	*-*
Exchange differences	*(1,218)*	*446*
TOTAL	*5,491*	*7,062*

The "Provisions not used during the period" refer to the release of a part of the amount set aside by the subsidiary Sogefi Filtration do Brasil Ltda following changes in the regulatory framework related to the dispute in question.

Provision for phantom stock options

This provision amounts to € 344 thousand (€ 253 thousand as of December 31, 2007) and refers to the allowance of fair value for incentive schemes providing for cash payments, known as "phantom stock options", for the Managing Director, managers and project workers of the Holding Company and managers of the Group's other Italian companies. The related allowance has been booked to the income statement under "Personnel costs", "Administrative and general consulting" and "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)	*12.31.2007*			
	Provision for product warranties	*Other risks*	*Agents' termination indemnities*	*Lawsuits*
Opening balance	*1,865*	*3,132*	*844*	*1,441*
Accruals for the period	*166*	*2,008*	*63*	*128*
Utilizations	*(46)*	*(380)*	*(772)*	*(125)*
Provisions not used during the period	*(180)*	*(135)*	*-*	*(497)*
Exchange differences	*(5)*	*20*	*-*	*(5)*
TOTAL	*1,800*	*4,645*	*135*	*942*

(in thousands of Euro)	*12.31.2008*			
	Provision for product warranties	*Other risks*	*Agents' termination indemnities*	*Lawsuits*
Opening balance	*1,800*	*4,645*	*135*	*942*
Accruals for the period	*557*	*635*	*13*	*478*
Utilizations	*(220)*	*(1,782)*	*-*	*(52)*
Provisions not used during the period	*(1,182)*	*(418)*	*-*	*(532)*
Exchange differences	*(19)*	*(70)*	*-*	*(2)*
TOTAL	*936*	*3,010*	*148*	*834*

The caption "Provision for product warranties" relates to allowances made by Group companies to cover customers' contractual warranty rights. The amounts provided are calculated on a statistical basis. The caption "Provisions not used during the period" refers mainly to provisions made by the subsidiary Filtrauto S.A. in previous years, that were then found to be excessive following an updated assessment of the risk and of related insurance cover.

The increase in the caption "Other risks" refers mainly to: new provisions (€ 241 thousand) made by the German subsidiary LPDN GmbH to cover the economic impact of probable requests for part-time contracts by employees who, having reached the age established by law, have the right to ask the company for said type of contract; provisions for disputes with employees made by the subsidiary Sogefi Filtration do Brasil Ltda and amounting to € 143 thousand; provisions for interest on a risk associated to taxe professionelle by the subsidiary Filtrauto S.A. and amounting to € 102 thousand. It should also be noted that a dispute is currently underway with a customer that is claiming damages, which the Group has not made any provision for as it considers the liability remote.
The "Utilisations" of "Other risks" refer mainly to: the reclassification under the item "Tax payables" of a fair part of the taxe professionelle risk (€ 978 thousand), set aside by the subsidiary Filtrauto S.A. in the previous year, following the decision by the tax authorities of the amount to be paid; the utilisation of the amounts set aside by the subsidiary Sogefi Filtration S.p.A. (€ 514 thousand) last year following the settlement of several disputes with agents and employees.
The "Provisions not used during the period" related to the caption "Other risks" refer mainly to a provision (€ 380 thousand) set aside in 2006 by the French subsidiary Allevard Rejna Autosuspensions S.A. to cover a risk on supplies; subsequently events have taken place that have made said liability no longer probable and the provision has been reversed.

The "Provisions not used during the period" related to the caption "Lawsuits" refer mainly to the reversal of provisions made in previous years by the subsidiary Filtrauto S.A. regarding a risk associated to a patent.

Other payables

"Other payables" amount to € 384 thousand, and refer to an advance payment made by a customer to the subsidiary LPDN GmbH for the construction of some equipment.

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)	*12.31.2008*		*12.31.2007*	
	Amount of temporary differences	*Tax effect*	*Amount of temporary differences*	*Tax effect*
Deferred tax assets:				
Allowance for doubtful accounts	2,249	654	2,331	684
Fixed assets writedowns	16,204	5,126	12,632	3,915
Inventory writedowns	7,283	2,361	7,426	2,403
Provisions for restructuring	4,733	1,330	5,931	1,727
Other provisions	22,443	7,079	23,909	7,468
Other	23,939	7,922	22,585	7,423
Deferred tax assets for tax losses incurred during the year	3,650	1,244	3,316	1,110
Deferred tax assets for tax losses incurred during prior years	2,822	972	1,332	437
TOTAL	83,323	26,688	79,462	25,167
Deferred tax liabilities:				
Accelerated/excess depreciation and amortization	54,047	16,826	54,914	17,695
Difference in inventory valuation methods	696	178	1,057	278
Capitalization of R&D costs	22,184	7,583	19,207	6,552
Other	10,932	3,262	7,864	2,703
TOTAL	87,859	27,849	83,042	27,228
Deferred tax assets (liabilities), net		(1,161)		(2,061)
Temporary differences excluded from the calculation of deferred tax assets (liabilities)				
Tax losses carried forward	35,403	13,632	23,427	9,209
Other	827	153	124	19
TOTAL	36,230	13,785	23,551	9,228

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.
The change in "Deferred tax assets (liabilities), net" compared with December 31, 2007 amounts to € 900 thousand and differs by € 1,675 thousand from the amount shown in the income statement under "Income taxes – Deferred tax liabilities (assets)" due to reclassifications, exchange differences or movements in balance sheet items that do not have any effect on the income statement.
The increase of the tax effect on "Fixed assets writedowns" mainly relates to the recording of deferred tax assets (€ 1.9 million) on the difference between the tax value and the consolidated book value of the building in Mantua held by the Holding Company Sogefi S.p.A., following the process to restructure the site and the discontinuance of business activities there.
The decrease of the tax effect on "Provisions for restructuring" mainly relates to the use of deferred tax assets recognised by the subsidiaries Sogefi Filtration S.A. and Filtrauto S.A., which were only partly offset by the deferred tax assets calculated on the costs provided for the restructuring plan of the subsidiary Sogefi Filtration S.p.A..
The increase of the tax effect on the caption "Other" mainly relates to deferred tax assets calculated by the Holding Company Sogefi S.p.A. on the fair value of derivatives to hedge interest rate risk.
The captions "Deferred tax assets for tax losses incurred during the year" and "Deferred tax assets for tax losses incurred during prior years" refer mainly to the subsidiary Allevard Rejna Autosupensions S.A..

The increase in the item "Other" under deferred tax liabilities refers mainly to taxes recorded on the surplus of pension funds by the subsidiary Sogefi Filtration Ltd.

As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities)", certain deferred tax assets were not booked as at year end there was not a reasonable certainty that they would be recovered. The increase in "Tax losses carried forward" mainly relate to the subsidiary Allevard Sogefi U.S.A. Inc..

21. SHARE CAPITAL AND RESERVES

Share capital

The share capital of the Holding Company Sogefi S.p.A. is fully paid in and as of December 31, 2008 amounts to € 60,397 thousand (€ 59,595 thousand as of December 31, 2007), split into 116,148,992 ordinary shares of par value € 0.52 each.

Movements in the shares outstanding are as follows:

(Shares outstanding)	*2008*	*2007*
No. shares at start of period	114,604,992	113,127,592
No. shares issued for subscription of stock options	*1,544,000*	*1,477,400*
No. of ordinary shares as of December 31	*116,148,992*	*114,604,992*
Treasury shares	*(1,956,000)*	*(1,695,000)*
No. of shares outstanding as of December 31	114,192,992	112,909,992

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

(in thousands of Euro)	*Share capital*	*Share premium reserve*	*Reserve for treasury shares*	*Reserve for reclassification of treasury shares*	*Translation reserve*
Balance at December 31, 2006	58,826	70,490	3,762	(3,762)	8,520
Paid share capital increase	*769*	*3,170*	-	-	-
Allocation of 2006 net profit:					
Dividends	-	-	-	-	-
Retained earnings	-	-	-	-	-
Fair value measurement of cash flow hedging instruments	-	-	-	-	-
Other changes	-	-	-	-	-
Tax on items booked directly to equity	-	-	-	-	-
Imputed cost of stock options	-	-	-	-	-
Currency translation differences	-	-	-	-	*(2,954)*
Net profit for the period	-	-	-	-	-
Balance at December 31, 2007	59,595	73,660	3,762	(3,762)	5,566
Paid share capital increase	*802*	*4,064*	-	-	-
Allocation of 2007 net profit:					
Legal reserve	-	-	-	-	-
Dividends	-	*(61,988)*	-	-	-
Retained earnings	-	-	-	-	-
Fair value measurement of cash flow hedging instruments	-	-	-	-	-
Net purchase of treasury shares	-	*(1,245)*	*1,245*	*(1,245)*	-
Other changes	-	-	-	-	-
Tax on items booked directly to equity	-	-	-	-	-
Imputed cost of stock options	-	-	-	-	-
Currency translation differences	-	-	-	-	*(21,391)*
Net profit for the period	-	-	-	-	-
Balance at December 31, 2008	60,397	14,491	5,007	(5,007)	(15,825)

Legal reserve	Cash flow hedging reserve	Reserve for stock options	Tax on items booked directly to equity	Other reserves	Retained earnings	Net profit for the period	Total
11,880	295	1,497	(93)	6,123	71,301	50,767	279,606
-	-	-	-	*(382)*	-	-	*3,557*
-	-	-	-	-	*(82)*	*(22,284)*	*(22,366)*
-	-	-	-	-	*28,483*	*(28,483)*	-
-	*(8)*	-	-	-	*(33)*	-	*(41)*
-	-	-	-	*(3)*	*4*	-	*1*
-	-	-	*19*	-	-	-	*19*
-	-	*866*	-	-	-	-	*866*
-	-	-	-	-	-	-	*(2,954)*
-	-	-	-	-	-	*52,200*	*52,200*
11,880	287	2,363	(74)	5,738	99,673	52,200	310,888
-	-	-	-	*(15)*	-	-	*4,851*
300	-	-	-	-	-	*(300)*	-
-	*(287)*	*(2,363)*	*79*	*(2,609)*	*(66,625)*	*(25,734)*	*(159,527)*
-	-	-	-	-	*26,166*	*(26,166)*	-
-	*(2,550)*	-	-	-	-	-	*(2,550)*
-	-	-	-	-	-	-	*(1,245)*
-	-	-	*(6)*	*1*	*52*		*47*
-	-	-	*702*	-	-	-	*702*
-	-	*635*	-	-	-	-	*635*
-	-	-	-	-	-	-	*(21,391)*
-	-	-	-	-	-	*28,495*	*28,495*
12,180	(2,550)	635	701	3,115	59,266	28,495	160,905

Share premium reserve

This amounts to € 14,491 thousand compared with € 73,660 thousand last year.
€ 4,064 thousand of the increase is due to the subscription of shares under the stock option plans.
The decrease of € 61,988 thousand is due to the distribution of extraordinary dividends, approved by the Ordinary Shareholders' Meeting on April 22, 2008.
It should also be noted that, following the approval for the purchase of treasury shares resolved by the Shareholders' Meeting on April 20, 2007, the Holding Company Sogefi S.p.A. purchased 341,000 shares during the first 2008 months at an average unit price of € 4.55. On January 31, 2008, the Holding Company Sogefi S.p.A. also sold 80,000 treasury shares at a unit price of € 3.87 under the 2005 stock option plan allocated to one of the Company's project workers.

Reserve for reclassification of treasury shares

The "Reserve for reclassification of treasury shares" corresponds to the reserve made on reclassification of the Company's own shares held in portfolio following the adoption of IAS 39 from January 1, 2005. Changes during the period amount to € 1,245 thousand and refer to the transactions on treasury shares carried out during 2008, as illustrated in the paragraph entitled "Share premium reserve".

Translation reserve

This reserve is used to record the exchange differences arising on the translation of foreign subsidiaries' financial statements.
The changes during the period amount to € 21,391 thousand.

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 hedges".

Reserve for stock options

The reserve refers to the value of the imputed cost of stock option plans assigned to employees and project workers and resolved after November 7, 2002, including the portion relating to the latest stock option plan approved in 2008.

Retained earnings

These total € 59,266 thousand and include amounts of net profit that have not been distributed.
The decrease of € 66,625 thousand is due to the distribution of the extraordinary dividend, as approved by the Ordinary Shareholders' Meeting on April 22, 2008.

MINORITY INTERESTS

The balance amounts to € 17,410 thousand and refers to the portion of shareholders' equity attributable to minority interests.

In 2008, the following changes to this item occurred:

- *an increase of € 845 thousand, included under "Other changes", regarding 40% of the equity of the subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd on the acquisition date;*
- *a decrease of € 317 thousand, included under "Other changes" related to the equity as of December 31, 2007 of the subsidiary Shanghai Sogefi Auto Parts Co. Ltd transferred to the Group's equity following the purchase of a 30% stake from the minority shareholder;*
- *an increase of € 981 thousand, included under "Paid share capital increase" regarding 50% of the share capital of the subsidiary S.Ara Composite S.A.S. on the date of incorporation.*

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 included in the report on operations:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
A. Cash	*49,456*	*63,753*
B. Other cash at bank and on hand (details)	-	-
C. Financial instruments held for trading	*17*	*59*
D. Liquid funds (A) + (B) + (C)	***49,473***	***63,812***
E. Current financial receivables	***824***	***897***
F. Current payables to banks	*19,750*	*12,418*
G. Current portion of non-current indebtedness	*35,733*	*13,696*
H. Other current financial debts	*473*	*469*
I . Current financial indebtedness (F) + (G) + (H)	***55,956***	***26,583***
J. Current financial indebtedness, net (I) - (E) - (D)	***5,659***	***(38,126)***
K. Non-current payables to banks	*238,612*	*118,004*
L. Bonds issued	-	-
M. Other non-current financial debts	*12,986*	*12,492*
N. Non-current financial indebtedness (K) + (L) + (M)	***251,598***	***130,496***
O. Net indebtedness (J) + (N)	***257,257***	***92,370***
Non-current financial receivables	*22*	-
Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the director's report on operations)	***257,235***	***92,370***

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

- *loan of € 160 million obtained by the Holding Company Sogefi S.p.A.: the ratio of the consolidated net financial position to consolidated EBITDA has to be less than or equal to 3.5; the ratio of EBITDA to net financial interest must not be less than 4;*
- *loan of € 100 million obtained by the Holding Company Sogefi S.p.A.: the ratio of the consolidated net financial position to consolidated EBITDA has to be less than 4;*
- *loan of € 50 million obtained by the Holding Company Sogefi S.p.A.: the ratio of the consolidated net financial position to consolidated EBITDA has to be less than or equal to 3.5.*

As of December 31, 2008 the Company was in full compliance with these covenants.

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS

23. SALES REVENUES

Revenues from the sale of goods and services

During the period, the Sogefi Group recorded sales of € 1,017,458 thousand compared with € 1,071,765 thousand the previous year (-5.1%); applying the same average exchange rates as 2007, sales would have amounted to € 1,039,922 thousand (-3%); this impact is mainly due to the considerable depreciation of the GBP.

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

By business sector:

(in thousands of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
Filters	*497,467*	*48.9*	*548,225*	*51.2*
Suspension components and precision springs	*521,914*	*51.3*	*524,579*	*48.9*
Intercompany eliminations	*(1,923)*	*(0.2)*	*(1,039)*	*(0.1)*
TOTAL	*1,017,458*	*100.0*	*1,071,765*	*100.0*

By geographical area of "destination":

(in thousands of Euro)	*2008*		*2007*	
	Amount	*%*	*Amount*	*%*
France	*220,157*	*21.6*	*250,882*	*23.4*
Germany	*155,005*	*15.2*	*141,421*	*13.2*
Great Britain	*109,503*	*10.8*	*126,737*	*11.8*
Italy	*90,901*	*8.9*	*105,773*	*9.9*
Spain	*61,345*	*6.0*	*75,079*	*7.0*
Benelux	*63,712*	*6.3*	*71,427*	*6.7*
Other European Countries	*107,158*	*10.5*	*108,454*	*10.1*
Mercosur	*175,120*	*17.2*	*148,475*	*13.9*
United States	*19,280*	*1.9*	*26,000*	*2.4*
China	*5,592*	*0.5*	*5,979*	*0.6*
Rest of the World	*9,685*	*1.1*	*11,538*	*1.0*
TOTAL	*1,017,458*	*100.0*	*1,071,765*	*100.0*

Sales in major markets rose significantly in the Mercosur and in Germany, where the Group increased both production and sales activities, and there was a general decrease in the other markets, where the economic slowdown which took hold in the latter part of 2008 was most felt.

24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	*2008*	*2007*
Materials	*476,170*	*486,147*
Direct labour cost	*114,133*	*119,232*
Energy costs	*31,173*	*30,176*
Sub-contracted work	*7,594*	*8,065*
Ancillary materials	*17,043*	*17,627*
Variable sales and distribution costs	*31,472*	*33,637*
Royalties paid to third parties on sales	*4,088*	*4,531*
TOTAL	*681,673*	*699,415*

The fall in the "Variable cost of sales" in absolute terms is due mainly to the items "Materials" and "Direct labour cost". In percentage terms, on the contrary, there was an increase in the percentage represented by "Materials", due to the significant price increases applied in 2008 (a fair part of which was recovered through selling prices) and "Direct labour cost" was stable, thanks to the prompt reaction of the Group as a whole to reduce the number of temporary workers in the latter part of the year.

"Energy costs" rose, reflecting the upward trend of utilities' prices.

The fall in "Variable sales and distribution costs" related mainly to lesser commission given to agents of the subsidiary Sogefi Filtration S.p.A. due to the change in the distribution network, which involved replacing agents, paid on a commission basis, with distributors. Furthermore, lower transport and packaging costs were recorded due to the fall in sales volumes. These decreases were partly offset by higher provisions for penalties and guarantees.

The decrease in "Sub-contracted work", "Ancillary materials" and "Royalties paid to third parties on sales" is related to the fall in sales volumes.

25. MANUFACTURING AND R&D OVERHEADS

These are analyzed as follows:

(in thousands of Euro)	*2008*	*2007*
Labour cost	*76,624*	*79,475*
Materials, maintenance and repairs	*21,488*	*22,211*
Rental and hire charges	*4,860*	*4,753*
Personnel services	*7,646*	*7,507*
Technical consulting	*3,538*	*4,010*
Sub-contracted work	*1,481*	*1,592*
Insurance	*1,575*	*1,722*
Utilities	*1,569*	*1,439*
Capitalization of internal construction costs	*(12,550)*	*(10,222)*
Other	*1,068*	*2,664*
TOTAL	*107,299*	*115,151*

"Manufacturing and R&D overheads" show a decrease of € 7,852 thousand (-6.8%) against the previous year. The decrease regarded almost all items, in particular "Labour cost", around € 1.7 million of which was due to the effect of exchange rates, as well as a reduction in the average number of employees, and "Materials, maintenance

and repairs" as a result of the careful management of stocks of maintenance materials and the recording of maintenance costs incurred by the subsidiary Allevard Springs Ltd following the fire at the Clydach plant under "Other non-operating expenses (income)".
The fall in "Technical consulting" is due to the lesser use of external consultants for new product development.
The decrease of the item "Other" is due to the recording of tax credits amounting to around € 1 million on research and development activities, previously included in the line "Income taxes", contributions to research and development activities amounting to around € 0.3 million received from the subsidiary Filtrauto S.A. and lower costs for the disposal of industrial waste, amounting to around € 0.3 million.
The rise in "Capitalization of internal construction costs" mainly relates to subsidiaries Allevard Rejna Autosuspensions S.A., for the development of new management software common to all companies of the Car Suspension Components Division, and Shanghai Sogefi Auto Parts Co. Ltd for the start-up of its suspension components business and Allevard Sogefi U.S.A. Inc. for the start-up of its filtration business.

"Research and development expenses" amount to € 20,535 thousand, down on the previous year, when they amounted to € 21,654 thousand, with no change as a percentage of sales (2.0%).

26. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	*2008*	*2007*
Depreciation of tangible fixed assets	*34,691*	*36,957*
of which: assets under finance leases	521	497
Amortization of intangible assets	*7,793*	*7,738*
TOTAL	*42,484*	*44,695*

"Depreciation and Amortization" amount to € 42,484 thousand, compared to € 44,695 thousand in the same period of the previous year. € 0.6 million of this decrease is attributable to the exchange effect, € 0.4 million to lower depreciation recorded by the subsidiary Allevard Springs Ltd (following the loss of part of its assets in the fire), around € 0.2 million to lower depreciation recorded by the subsidiary Rejna S.p.A. (following the writedown of the leaf springs production line) and the remainder to the completion of the depreciation of several assets.

The largest tangible fixed asset item by far is industrial depreciation, which amounts to € 33,226 thousand compared with € 35,332 thousand in 2007.

Amortization of intangible assets refers principally to development costs capitalized in previous years.

27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	*2008*	*2007*
Labour cost	*19,393*	*20,572*
Sub-contracted work	*5,814*	*7,048*
Advertising, publicity and promotion	*3,716*	*4,325*
Personnel services	*2,909*	*2,782*
Rental and hire charges	*2,061*	*1,653*
Consulting	*866*	*881*
Other	*1,176*	*1,179*
TOTAL	*35,935*	*38,440*

"Distribution and sales fixed expenses" recorded a decrease of € 2,505 thousand (-6.5%).
This reduction is mainly attributable to "Labour cost", € 0.8 million to the exchange effect and to the fall in the average number of employees, and to "Sub-contracted work", due to the lesser use of external services in the warehouses of subsidiaries Sogefi Filtration Ltd and Sogefi Filtration S.p.A. (due to the reorganisation of the distribution network). The reduction of said items was partly offset by an increase of "Rental and hire charges" of the subsidiary Sogefi Filtration B.V., which handles the sales of the foreign aftermarket segment on behalf of filtration division companies.

28. ADMINISTRATIVE AND GENERAL EXPENSES

These are analyzed as follows:

(in thousands of Euro)	*2008*	*2007*
Labour cost	*27,361*	*26,463*
Personnel services	*4,066*	*4,360*
Maintenance and repairs	*4,138*	*4,263*
Cleaning and security	*3,513*	*3,571*
Consulting	*5,091*	*4,568*
Utilities	*2,991*	*3,197*
Rental and hire charges	*3,020*	*3,293*
Insurance	*2,828*	*2,624*
Participation des salaries	*1,893*	*2,329*
Administrative, financial and tax-related services provided by Parent Company	*1,850*	*1,850*
Audit fees	*1,143*	*1,159*
Directors' and statutory auditors' remuneration	*837*	*822*
Sub-contracted work	*625*	*717*
Other	*3,074*	*1,281*
TOTAL	*62,430*	*60,497*

"Administrative and general expenses" amounted to € 62,430 thousand, compared to € 60,497 thousand in the previous year, recording an increase of 3.2%.
The increase in this item is principally due to "Other", which in the previous year included the positive adjustments

deriving from the new rules governing the "Provision for employment termination indemnities" (€ 2,074 thousand) and the change in regulations of British pension funds (€ 268 thousand).

The following paragraphs illustrate the most significant changes in the other lines of this item.

The increase of "Labour cost" is mainly due to higher bonuses paid by the Holding Company Sogefi S.p.A..
The rise in "Consulting" is substantially attributable to the costs incurred to develop the new management software for the Car Suspension Components Division, which were then capitalized as "Capitalization of internal construction costs" under item "Manufacturing and R&D Overheads".
The increase of costs for "Insurance" reflects the rise in premiums paid for insurance cover on product warranties as well as the extension of several insurance covers.
The decrease of "Participation des salaries" *reflects the poor business performance of the French companies, on which this amount is calculated.*

"Directors' and statutory auditors' remuneration" includes € 561 thousand and € 110 thousand respectively for the Directors and Statutory Auditors of the Holding Company.

29. PERSONNEL COSTS

Personnel

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

(in thousands of Euro)	*2008*	*2007*
Wages, salaries and contributions	*216,589*	*223,193*
Pension costs: defined benefit plans	*2,117*	*(38)*
Pension costs: defined contribution plans	*2,146*	*2,069*
Participation des salaries	*1,893*	*2,329*
Imputed cost of stock option plans	*635*	*866*
Other costs	*1,859*	*685*
TOTAL	*225,239*	*229,104*

"Personnel costs" have fallen with respect to the previous year by € 3,865 thousand (-1.7%). Personnel costs as a percentage of sales have risen from 21.4% at the end of the previous year to 22.1% as of December 31, 2008.

The decrease of "Personnel costs" is mainly attributable to the line "Wages, salaries and contributions", which has benefited from the exchange effect by € 5,177 thousand, and from a reduction in the average number of employees.

It should be noted that as of December 31, 2007, the line "Pension costs: defined benefit plans" encompassed the positive effects of the legislative reform of the "Provision for employment termination indemnities" and of UK pension funds, amounting to around € 2.3 million.

The increase in "Other costs" relates mainly to the incentives paid during the year to employees who left the Group.

As indicated above, "Participation des salaries" *reflects the poor business performance of the French companies, on which this amount is calculated.*

The lines "Wages, salaries and contributions", "Pension costs: defined benefit plans" and "Pension costs: defined contribution plans" are included in the previous table under "Labour cost" and "Administrative and general expenses".

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

"Other costs" are included partly in "Administrative and general expenses" and partly in "Other non-operating expenses (income)" and "Restructuring costs".

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

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

(Number of employees)	*2008*	*2007*
Managers	*88*	*87*
Clerical staff	*1,388*	*1,408*
Blue collar workers	*4,736*	*4,746*
TOTAL	*6,212*	*6,241*

Personnel benefits

Stock option plans

Sogefi S.p.A. implements and has implemented in previous years stock option plans for managers and project workers of the Company and its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Company and to provide an incentive that will raise their commitment to improving the Company's performance and value generation in the long term.
Plans provide participants with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a particular period of time. Under the plan, an essential condition for exercising the option is that the person is still employed by the Company or one of its subsidiaries at the exercise date, except in the case of retirement, permanent invalidity or death.
In compliance with Law 262/05, starting from 2006, stock option plans are first approved by the Shareholders' Meeting.

In 2008, the Board of Directors drew up the following plan:
- *stock option plan reserved for managers of foreign subsidiaries for a maximum of 875,000 shares (0.75% of share capital as of December 31, 2008) with a subscription price of € 2.1045, to be exercised between September 30, 2008 and September 30, 2018.*

Except for the plan mentioned above and the content of the paragraph below regarding "Phantom stock option plans", the Company 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, which took effect from January 1, 2005, for the purposes of first-time application of this standard we have taken into consideration only those plans that were awarded after November 7, 2002 and thus, in addition to those issued in 2008, also those issued in 2003, 2004, 2005, 2006 and 2007, the main characteristics of which are as follows:

- *2003 stock option plan for a maximum of 1,680,000 ordinary shares. The plan ended in 2008;*
- *2004 stock option plan for a maximum of 1,880,000 ordinary shares (1.62% of share capital as of December 31, 2008) at a price of € 2.64 per share, with a right to exercise them 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 the managers of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.66% of the share capital as of December 31, 2008) with a subscription price of € 3.87, to be exercised between September 30, 2005 and September 30, 2015;*
- *2005 stock option plan restricted to the Group's project workers for a maximum of 80,000 options for the purchase of an equal number of ordinary Sogefi shares. The plan ended in 2008;*
- *2005 extraordinary stock option plan restricted to Group employees with over 10 years of service as of December 31, 2004 for a maximum of 1,445,000 shares (1.24% of share capital as of December 31, 2008) at a subscription price of € 4.50 with a right to exercise them from October 1 to December 7, 2008 and from May 1 to July 7, 2009;*
- *2006 stock option plan restricted to the managers of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of the share capital as of December 31, 2008) with a subscription price of € 5.87, to be exercised between September 30, 2006 and September 30, 2016;*
- *2006 stock option plan restricted to the Group's project workers for a maximum of 80,000 options for the purchase of an equal number of ordinary Sogefi shares. The plan ended in 2008;*
- *2007 stock option plan restricted to managers of foreign subsidiaries for a maximum of 715,000 shares (0.62% of share capital as of December 31, 2008) with an initial subscription price of € 6.96, to be exercised between September 30, 2007 and September 30, 2017. On April 22, 2008 the Board of Directors, on the basis of the powers awarded to the same by the Shareholders' Meeting, changed the exercise price from € 6.96 to € 5.78 to take into account the extraordinary portion of the dividend approved by the Shareholders' Meeting on the same date.*

In 2008, options were exercised on 1,387,200 ordinary shares relating to the 2003, 2004 and 2005 plans at an average value of € 3.30 each, generating proceeds for the Holding Company of € 4,580 thousand. It should be noted that the Holding Company actually received € 4,271 thousand as the options exercised by project workers on the basis of the 2005 stock option plan did not result in an increase of share capital, but entailed the transfer of treasury shares in the portfolio.

The fair value of the options awarded in 2008 was calculated, at the time they were granted, using the Black-Scholes method, and amounted to € 389 thousand. The imputed cost for 2008 relating to existing plans is € 635 thousand, posted to the income statement under "Other non-operating expenses (income)". The review of the grant price of the 2007 stock option plan did not have any effect on the imputed cost insofar as the change was made to take into account the distribution of the previously mentioned extraordinary dividend.

The following table shows the overall number of existing options, with regard to plans for the period between 2003 and 2008 and their average exercise price:

	2008		2007	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	4,835,800	4.82	5,213,600	4.28
Granted during the year	875,000	2.10	715,000	6.96
Cancelled during the year	(376,000)	4.87	(354,600)	4.88
Exercised during the year	(1,387,200)	3.30	(738,200)	3.04
Not exercised/not exercisable at the end of the year	3,947,600	4.55	4,835,800	4.82
Exercisable at the end of the year	1,953,400	4.92	1,726,000	4.21

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

In order to comply with the transitional rules laid down in arts. 44-45 of IFRS 2, the following are the key figures for the plans in existence prior to November 7, 2002 (the standard does not have to be applied to them).

	2000 plan	2002 plan
No. of options	1,170,000	1,560,000
Strike price (Euro)	2.53	2.01
Vesting date	2010	2012
Not exercised at the start of the year	228,000	1,600
Exercised during the year	(228,000)	(1,600)
Cancelled during the year	-	-
Not exercised at the end of the year	-	-
Exercisable at the end of the year	-	-

In 2008 options were exercised on 229,600 ordinary shares relating to the 2000 and 2002 plans at an average value of € 2.53 each, generating proceeds for the Holding Company of € 580 thousand.

The total amount collected by the Group in 2008 under all stock option plans comes to € 4,851 thousand.

Details of the number of options exercisable as of December 31, 2008 are given below:

	2003 - 2008 plans	2000 - 2002 plans	Total
Number of exercisable options remaining at December 31, 2007	1,726,000	229,600	1,955,600
Options matured during the year	2,934,600	-	2,934,600
Options exercised during the year	(1,387,200)	(229,600)	(1,616,800)
Options cancelled during the year	(1,320,000)	-	(1,320,000)
Number of exercisable options remaining at December 31, 2008	1,953,400	-	1,953,400

Phantom stock option plans

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

The main characteristics of these 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 € 7.0854, amended in 2008 to € 5.9054, to be exercised between September 30, 2007 and September 30, 2017.*
- *2008 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 1,700,000 options at the grant price of € 2.1045, to be exercised between September 30, 2008 and September 30, 2018.*

Details of the number of phantom stock options as of December 31, 2008 are given below:

	2008
Not exercised/not exercisable at the start of the year	1,729,200
Granted during the year	1,700,000
Cancelled during the year	(462,400)
Exercised during the year	-
Not exercised/not exercisable at the end of the year	2,966,800
Exercisable at the end of the year	949,500

The fair value as of December 31, 2008 of the options awarded was calculated using the Black-Scholes method and amounts to € 344 thousand. The change with respect to the previous year, corresponding to € 91 thousand, has been posted to the income statement on the lines "Labour cost", "Administrative and general consulting" and "Directors' and statutory auditors' remuneration".

30. RESTRUCTURING COSTS

These amount to € 11,473 thousand (compared with € 7,558 thousand the previous year) and relate to restructuring plans already underway, mainly in the Filtration Division.
"Restructuring costs" are made up of the accrual to the "Provision for restructuring" of € 3,682 thousand, net of the unused portion provided in previous years, and for the difference partly to costs incurred and paid during the year and partly to costs incurred during the year for which the previous years' provisions were not sufficient.

31. LOSSES (GAINS) ON DISPOSAL

Gains amount to € 15 thousand, compared to € 4,622 thousand the previous year. Gains as of December 31, 2007 referred mainly to the disposal of the property of the subsidiary Sogefi Filtration Ltd located in Nottingham.

32. EXCHANGE LOSSES (GAINS)

Net exchange losses as of December 31, 2008 amounted to € 2,238 thousand (€ 943 thousand as of December 31, 2007). The deterioration of this item is mainly attributable to the British subsidiaries, which were penalised by their amounts payable in Euro, given the depreciation of the British pound, and to the Brazilian subsidiary Allevard Molas do Brasil Ltda, which was penalised by amount payable in dollars to the subsidiary Allevard Sogefi U.S.A. Inc. following the depreciation of the Brazilian real in the latter months of the year.

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to € 11,502 thousand compared with € 19,821 thousand the previous year; the following table shows the main elements:

(in thousands of Euro)	*2008*	*2007*
Indirect taxes	*5,581*	*5,318*
Other fiscal charges	*4,940*	*6,032*
Imputed cost of stock options	*635*	*866*
Other non-operating expenses (income)	*346*	*7,605*
TOTAL	*11,502*	*19,821*

"Indirect taxes" include tax charges such as property tax, non-deductible VAT and taxes on professional training. "Other fiscal charges" consist of the taxe professionelle *paid by the French companies, which is fundamentally a capital tax. The decrease in the item is mainly due to a provision made in the previous year by the subsidiary Filtrauto S.A. for a tax dispute relating to the same.*

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

of which non-recurring:

A) items related to the subsidiary Allevard Springs Ltd for the fire that broke out in July:
- *costs of € 4,251 thousand for the writedown of assets;*
- *costs of € 2,779 thousand for stocks destroyed in the fire;*
- *costs of € 5,107 thousand for repairs to damaged materials;*
- *costs of € 3,266 thousand for the transfer of production to other sites and other costs;*
- *insurance settlements for amounts corresponding to the above cost items have been recorded. This does not preclude the receipt of a value exceeding that of the claim;*

B) other non-recurring expenses/income
- *costs of € 370 thousand incurred by the subsidiary Allevard Molas do Brasil Ltda for the start-up of a production line for springs purchased in 2007 from the subsidiary Allevard Sogefi U.S.A. Inc.;*
- *consulting costs in the business development sector of € 409 thousand;*
- *writedown of assets related to the leaf spring production line of the subsidiary Rejna S.p.A. of € 304 thousand;*
- *other non-recurring income, net, amounting to € 63 thousand;*

of which recurring

- *€ 790 thousand in provisions for legal disputes with employees and tax authorities (Sogefi Filtration do Brasil Ltda);*
- *€ 163 thousand of pension costs for employees no longer on the books of Allevard Federn GmbH;*
- *actuarial gains of € 515 thousand in the subsidiaries Filtrauto S.A. and Allevard Rejna Autosuspension S.A. resulting from the amendment of actuarial assumptions of pension funds;*
- *the recovery of provisions set aside in previous years for tax risk, by the subsidiary Sogefi Filtration do Brasil Ltda, and disputes with suppliers, by the subsidiary Allevard Rejna Autosuspensions S.A., of € 1,289 thousand;*
- *€ 177 thousand in other recurring costs.*

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	*2008*	*2007*
Interest on amounts due to banks	*13,255*	*7,631*
Financial charges under lease contracts	*723*	*844*
Financial component of pension funds and termination indemnities	*40*	*703*
Costs of interest-rate hedging contracts	*-*	*-*
Other interest and commissions	*2,134*	*2,594*
TOTAL FINANCIAL EXPENSES	*16,152*	*11,772*

Financial income is detailed as follows:

(in thousands of Euro)	*2008*	*2007*
Financial income from financial assets	*-*	*-*
Income from interest-rate hedging contracts	*393*	*186*
Interest on amounts due from banks	*1,535*	*1,919*
Other interest and commissions	*236*	*249*
TOTAL FINANCIAL INCOME	*2,164*	*2,354*
TOTAL FINANCIAL EXPENSES (INCOME), NET	*13,988*	*9,418*

Net financial expenses show a rise of € 4,570 thousand due mainly to new loans obtained by the Holding Company Sogefi S.p.A. following the payment of the extraordinary dividend.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

This item includes the dividends received from the associated company Allevard Ressorts Composites S.A.S. of € 127 thousand (€ 108 thousand as of December 31, 2007), the posting to the income statement of € 290 thousand of the difference between the purchase cost of 30% of the subsidiary Shanghai Sogefi Auto Parts Co. Ltd and the corresponding equity value (insofar as it regards losses made during the start-up of the subsidiary), the writedown of Autorubber S.r.l. for € 50 thousand and the writedown of Iniziative Immobiliari BRE-MA S.r.l. for € 5 thousand, as illustrated in note 12.

36. INCOME TAXES

(in thousands of Euro)	*2008*	*2007*
Current taxes	*16,018*	*20,804*
Deferred tax liabilities (assets)	*775*	*4,586*
TOTAL	*16,793*	*25,390*

The tax rate in 2008 increased with respect to the prior year (34.8% vs. 31.5%): this is because 2007 benefited from the booking of substantial deferred tax assets on prior years' losses.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2008 and 2007 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".

	2008			*2007*		
(in thousands of Euro)	*Taxable amount*	*Tax rate %*	*Tax*	*Taxble amount*	*Tax rate %*	*Tax*
Profit before taxes	*48,233*	*27.5%*	*13,264*	*80,557*	*33%*	*26,584*
Effect of increases (decreases) with respect to the standard rate:						
Statutory amortization of goodwill	*(459)*	*27.5%*	*(126)*	*(1,081)*	*33%*	*(357)*
Non-deductible costs, net	*2,545*	*27.5%*	*700*	*416*	*33%*	*137*
Use of deferred tax assets not recognised in previous years	*(5,798)*	*27.5%*	*(1,594)*	*(14,564)*	*33%*	*(4,806)*
Deferred tax assets on losses for the year not recognised in the financial statements	*4,830*	*27.5%*	*1,328*	*3,547*	*33%*	*1,171*
Taxed portion of dividends	*3,741*	*27.5%*	*1,029*	*3,753*	*33%*	*1,238*
Other permanent differences and tax rate differentials			*2,192*			*1,423*
Income taxes in the consolidated income statement	*48,233*	*34.8%*	*16,793*	*80,557*	*31.5%*	*25,390*

The increase of "Non-deductible costs, net" is due to lower tax-exempt income with respect to the previous year, mainly due to gains resulting from the disposal of the property belonging to the British subsidiary.
"Use of deferred tax assets not recognised in previous years" refers to the recording by Group companies of deferred tax assets that were not previously recognised thanks to a change in the assumptions regarding their recoverability.
The "Deferred tax assets on losses for the year not recognised in the financial statements" are mainly attributable to the American subsidiary for which there was not a reasonable certainty at the end of the year that such losses would be recovered.
The line "Taxed portion of dividends" refers to the portion of dividends received by Group companies that is not tax-exempt.

37. DIVIDENDS PAID

The dividends paid in 2008 (related to the allocation of the profit for 2007 as well as part of the reserves of profit and capital, in accordance with the resolution of the shareholders' meeting on April 22, 2008) amounted to a total of € 159,527 thousand, corresponding to € 1.40 per share, of which € 0.22 was the ordinary dividend and € 1.18 the extraordinary dividend.
The Company only issued ordinary shares; treasury shares are always excluded from the dividend.
Last year, dividends paid amounted to € 22,366 thousand, or € 0.20 per ordinary share.

38. EARNINGS PER SHARE (EPS)

Basic EPS

The reduction in net profit and the increase in the weighted average of shares in circulation has led to a fall in EPS from € 0.465 to € 0.250.

	2008	2007
Net profit attributable to the ordinary shareholders (in thousands of Euro)	*28,495*	*52,200*
Weighted average number of shares outstanding during the year (thousands)	*113,844*	*112,153*
Basic EPS (Euro)	0.250	0.465

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.

	2008	2007
Net profit attributable to the ordinary shareholders (in thousands of Euro)	*28,495*	*52,200*
Average number of shares outstanding during the year (thousands)	*113,844*	*112,153*
Weighted average number of shares potentially under option during the year (thousands)	*1,376*	*1,989*
Number of shares that could have been issued at fair value (thousands)	*(1,376)*	*(1,022)*
Adjusted weighted average number of shares outstanding during the year (thousands)	*113,844*	*113,120*
Diluted EPS (Euro)	0.250	0.461

The "Weighted average number of shares potentially under option during the year" represents the average number of shares that were potentially outstanding because of stock option plans for which the subscription right had vested but had not yet been exercised as of the balance sheet date. 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 factor of normalisation, 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 2008 amounted to € 2.8443, whereas in 2007 it was € 6.5352.
In 2008, the average fair value of Sogefi shares was lower than the average exercise price of shares potentially under option. Therefore, the "Number of shares that could have been issued at fair value" corresponds to the "Weighted average number of shares potentially under option during the year" and the diluted EPS is equal to the basic EPS.

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.

Analyzing the table shows that the fair value is different from the book value only in the case of short-term and long-term financial payables. This difference, in any event insignificant, is generated by the fixed-rate loans outstanding at the balance sheet date, for which the value has been recalculated at current market rates.

(in thousands of Euro)	*Book value*		*Fair Value*	
	12.31.2008	*12.31.2007*	*12.31.2008*	*12.31.2007*
Financial assets				
Cash and cash equivalents	*49,456*	*63,753*	*49,456*	*63,753*
Securities held for trading	*17*	*59*	*17*	*59*
Assets for derivative financial instruments	*780*	*897*	*780*	*897*
Current financial receivables	*44*	*-*	*44*	*-*
Trade receivables	*169,973*	*220,097*	*169,973*	*220,097*
Other receivables	*19,019*	*5,982*	*19,019*	*5,982*
Other assets	*3,801*	*2,551*	*3,801*	*2,551*
Other financial assets available for sale	*442*	*497*	*442*	*497*
Non-current financial receivables	*22*	*-*	*22*	*-*
Other non-current receivables	*8,772*	*4,974*	*8,772*	*4,974*
Financial liabilities				
Short-term financial debts	*55,483*	*26,114*	*55,750*	*26,392*
Other short-term liabilities for derivative financial instruments	*473*	*469*	*473*	*469*
Trade and other payables	*204,094*	*228,858*	*204,094*	*228,858*
Other current liabilities	*1,770*	*2,984*	*1,770*	*2,984*
Medium/long-term financial debts	*251,598*	*130,497*	*251,681*	*129,959*

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 minimize 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, bonds, finance leases, rentals, sight deposits, and 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

As is generally known, changes in market interest rates can have an impact on the fair value of a financial asset or liability.
Market risk exposure deriving from changes in interest rates is principally linked to medium/long-term loans, including finance leases, which are made up 98% of floating-rate loans.

In order to hedge the risk of future increases in interest rates, the Group enters into interest rate swaps. At present, hedging transactions cover around 25% of the Group's floating-rate loans.
After such transactions, floating-rate loans represent around 73% of the Group's total loans.

The following table gives a breakdown, by maturity, of the book value of the Group's financial instruments, receivable and payable, which are exposed to interest rate risk as of December 31, 2008, 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	(792)	(852)	(636)	(768)	(905)	(3,084)	(7,037)
TOTAL FLOATING RATE	(4,865)	(44,335)	(34,954)	(35,650)	(130,057)	(337)	(250,198)

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, 2008, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2008	
Sensitivity Analysis	Net profit	Equity
+ 100 basis points	(1,293)	(616)
- 100 basis points	1,293	616

The effect on equity differs from the effect on the income statement by € 677 thousand, which reflects the change in fair value of the instruments hedging the interest rate risk.
It should be noted that as of December 31, 2007, the effect on the income statement was € 439 thousand, while the effect on equity was € 308 thousand.

Foreign currency risk

By operating 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 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 has business interests and is exposed to risks above all in respect of the Pound sterling, Brazilian real, US dollar, Argentine peso, Chinese renminbi and Indian rupee.
On the whole, for the Group, the main foreign currency risk is related to the translation of the financial statements of foreign subsidiaries, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.
As of December 31, 2008, the Brazilian subsidiary Allevard Molas do Brasil Ltda has a debt in dollars (USD 7,541 thousand) resulting from the purchase of a springs production line from the American subsidiary Allevard Sogefi U.S.A. Inc. in 2007. As analysed in the section on "Hedging", the exchange risk of this debt has been entirely hedged by taking out derivative contracts.

In order to limit translation risk when converting the net results of foreign subsidiaries with currencies other than the Euro, the Holding Company takes out derivatives with a duration of less than a year for amounts that fall into a range of 50-80% of the subsidiaries' expected results.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as that 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 losses (gains)", net of tax, and on equity of a change in exchange rates that is considered reasonably possible. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as of December 31, 2008 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, 2008 exchange risk was concentrated mainly in transactions with the Euro. The only significant position in a currency other than the Euro is the debt in dollars mentioned above (USD 7,541 thousand) owed by the Brazilian subsidiary Allevard Molas do Brasil Ltda. This debt, being entirely hedged by derivatives, does not have any real impact on the sensitivity analysis.

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

(in thousands of Euro)	*12.31.2008*	
Sensitivity Analysis	*Net profit*	*Equity*
+ 5%	*(432)*	*(432)*
- 5%	*476*	*476*

These effects are mainly due to the EUR/GBP exchange rate and regard trade payables in Euro owed by British subsidiaries.

These effects do not differ significantly from the previous year.

Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastic products, aluminium, cellulose products.The risk is handled in the best way possible thanks to centralized 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 Independent 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.
The main customers in the Independent Aftermarket, on the other hand, are important international purchasing groups.
In order to minimize 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, 2008 is represented by the book value of the financial assets shown in the financial statements (€ 252,326 thousand), as well as by the nominal value of the guarantees given on behalf of third parties, as mentioned in note 43 (€ 10,688 thousand).

The exposure to credit risk is essentially linked to trade receivables which as of December 31, 2008 amount to € 170,887 thousand (€ 222,280 thousand as of December 31, 2007), written down by € 5,871 thousand (€ 5,706 thousand as of December 31, 2007).
Receivables are backed by insurance guarantees for € 11,247 thousand (€ 15,141 thousand as of December 31, 2007). 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)	*12.31.2008*	*12.31.2007*
Opening balance	*5,706*	*6,040*
Accruals for the period	*1,432*	*1,075*
Utilizations	*(344)*	*(1,015)*
Provisions not used during the period	*(622)*	*(300)*
Exchange differences	*(301)*	*(94)*
TOTAL	*5,871*	*5,706*

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)	*12.31.2007*		
	Gross value	*Allowance for doubtful accounts*	*Net value*
Receivables past due:			
0-30 days	*9,439*	*(261)*	*9,178*
30-60 days	*2,994*	*(202)*	*2,792*
60-90 days	*1,849*	*(216)*	*1,633*
over 90 days	*8,886*	*(4,844)*	*4,042*
Total receivables past due	*23,168*	*(5,523)*	*17,645*
Total receivables still to fall due	*199,112*	*(183)*	*198,929*
TOTAL	*222,280*	*(5,706)*	*216,574*

(in thousands of Euro)	*12.31.2008*		
	Gross value	*Allowance for doubtful accounts*	*Net value*
Receivables past due:			
0-30 days	*11,335*	*(52)*	*11,283*
30-60 days	*3,381*	*(216)*	*3,165*
60-90 days	*1,624*	*(116)*	*1,508*
over 90 days	*9,649*	*(5,405)*	*4,244*
Total receivables past due	*25,989*	*(5,789)*	*20,200*
Total receivables still to fall due	*144,898*	*(82)*	*144,816*
TOTAL	*170,887*	*(5,871)*	*165,016*

As of December 31, 2008 gross past due receivables were € 2,821 thousand higher than at the end of the previous year, with particular regard to the "0-30 days" bracket (+ € 1,896 thousand) and the "over 90 days" bracket (+ € 763 thousand), and their percentage of total receivables rose from 10.4% to 15.2%.
The rise in gross receivables that have been past due for less than 30 days, whose percentage of total receivables rose from 4.2% to 6.6%, is due to temporary delays in collections resulting from the economic slowdown in the latter part of 2008.
The rise in gross receivables that have been past due for more than 90 days, whose percentage of total receivables rose from 4% to 5.6%, refers to two subsidiaries for which only a part is covered by an accrual to the allowance for doubtful accounts as the disputes in question are covered by insurance or the claims of the customer are groundless.
Past due receivables as a whole have been written down by 22.3% (23.8% as of December 31, 2007) and 56% (54.5% as of December 31, 2007) considering only those over 90 days. Writedowns refer mainly to disputed amounts or receivables that have been due for a significant period of time and can no longer be collected.
The proportion of past due receivables net of the allowance for doubtful accounts has risen from 8.1% to 12.2%.
The "Receivables past due over 90 days" relate principally to the Filtration Division's Italian, British and French subsidiaries. The provisions that have been made are considered appropriate based on the solvency of customers.
The item "Total receivables still to fall due" does not contain significant positions that have been renegotiated.

Despite the current crisis in the automotive industry, given the nature of the Sogefi Group's customers (car and industrial vehicle manufacturers and important international buying groups) and the Group's constant monitoring of credit collection, 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 optimize liquidity and cash flow management at a supranational level.

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

(in thousands of Euro)	*within 12 months*	*between 1 and 2 years*	*between 2 and 3 years*	*between 3 and 4 years*	*between 4 and 5 years*	*beyond 5 years*	*Total*
Fixed rate							
Finance lease Sogefi Filtration Ltd	(70)	(83)	(94)	(109)	(124)	(2,083)	(2,563)
Government financing	(668)	(715)	(486)	(398)	(422)	(913)	(3,602)
Other fixed rate loans	(54)	(54)	(56)	(261)	(359)	(88)	(872)
Future interest	(418)	(393)	(371)	(345)	(317)	(1,534)	(3,378)
TOTAL FIXED RATE	(1,210)	(1,245)	(1,007)	(1,113)	(1,222)	(4,618)	(10,415)
Floating rate							
Cash and cash equivalents	49,456	-	-	-	-	-	49,456
Financial assets	17	-	-	-	-	-	17
Assets for derivative financial instruments	780	-	-	-	-	-	780
Current financial receivables	44	-	-	-	-	-	44
Non current financial receivables	-	-	-	-	15	7	22
Bank overdrafts and other short term loans	(19,750)	-	-	-	-	-	(19,750)
Sogefi S.p.A. loans	(19,433)	(33,311)	(33,311)	(33,311)	(129,744)	-	(249,110)
Bank loans	(12,025)	(8,680)	-	-	-	-	(20,705)
Finance lease Allevard Rejna Autosuspensions S.A.	(1,314)	(1,381)	(1,446)	(1,213)	(328)	(344)	(6,026)
Other floating rate loans	(2,167)	(9)	(9)	(5)	-	-	(2,190)
Liabilities for derivative financial instruments	(473)	(954)	(188)	(1,121)	-	-	(2,736)
Future interest	(8,871)	(7,451)	(6,132)	(5,024)	(1,918)	(8)	(29,404)
TOTAL FLOATING RATE	(13,736)	(51,786)	(41,086)	(40,674)	(131,975)	(345)	(279,602)
Trade receivables	169,973	-	-	-	-	-	169,973
Trade and other payables	(204,094)	-	-	-	-	-	(204,094)

Hedging

a) exchange risk

The Sogefi Group has the following contracts to hedge the exchange risk on financial or trade 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.

As of December 31, 2008, the Holding Company Sogefi S.p.A. and Allevard Rejna Autosuspensions S.A. had the following forward sale contracts to hedge exchange risk on intercompany financial positions:

Forward sale	*Date opened*	*Spot price €/currency*	*Date closed*	*Forward price €/currency*
USD 2,730,000	*12-22-2008*	*1.4616*	*01-09-2009*	*1.4611*
GBP 1,000,000	*12-22-2008*	*0.9509*	*01-09-2009*	*0.9511*
USD 11,000,000	*12-22-2008*	*1.4616*	*01-09-2009*	*1.4611*

As of December 31, 2008 the fair market value of these contracts amounted to € 473 thousand and was booked to "Other short-term liabilities for derivative financial instruments". The fair market value was calculated using the forward curve of exchange rates as of December 31, 2008.

The British subsidiaries have the following forward purchase contracts to hedge exchange risk on trade positions:

Forward purchase	*Date opened*	*Spot price GBP/currency*	*Date closed*	*Forward price GBP/currency*
EUR 2,300,000	*12-22-2008*	*0.9509*	*01-09-2009*	*0.9511*
EUR 3,550,000	*12-22-2008*	*0.9509*	*01-09-2009*	*0.9511*

As of December 31, 2008 the fair value of these contracts amounted to € 11 thousand and was shown under "Other financial assets – Assets for derivative financial instruments". The fair market value was calculated using the forward curve of exchange rates as of December 31, 2008.

As illustrated previously, the subsidiary Allevard Molas do Brasil Ltda has a debt in dollars (USD 7,541 thousand) towards the subsidiary Allevard Sogefi U.S.A. Inc. for the purchase of a springs production line in 2007. The payment of this debt is envisaged in 4 instalments, with the final payment due in November 2009. The exchange risk of this debt has been fully hedged by means of the following derivative contracts:

Zero cost collar:

Forward purchase	*Date opened*	*Spot price BRL/currency*	*Date closed*	*Forward price (call put) BRL/currency*
USD 550,000	*06-19-2007*	*1.9047*	*02-27-2009*	*2.0390/2.1073*
USD 550,000	*06-19-2007*	*1.9047*	*05-29-2009*	*2.0700/2.1285*
USD 550,000	*06-19-2007*	*1.9047*	*08-31-2009*	*2.0940/2.1530*
USD 550,000	*06-19-2007*	*1.9047*	*11-30-2009*	*2.1180/2.1790*

Forward purchases:

Forward purchase	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
USD 400,000	07-12-2007	1.8900	02-27-2009	2.0155
USD 400,000	07-12-2007	1.8900	05-29-2009	2.0389
USD 400,000	07-12-2007	1.8900	08-31-2009	2.0642
USD 400,000	07-12-2007	1.8900	11-30-2009	2.0895

Forward purchase	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
USD 400,000	07-23-2007	1.8606	02-27-2009	1.9900
USD 400,000	07-23-2007	1.8606	05-29-2009	2.0142
USD 400,000	07-23-2007	1.8606	08-31-2009	2.0425
USD 400,000	07-23-2007	1.8606	11-30-2009	2.0677

Forward purchase	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
USD 585,000	09-18-2007	1.9123	02-27-2009	2.0168
USD 585,000	09-18-2007	1.9123	05-29-2009	2.0449
USD 585,000	09-18-2007	1.9123	08-31-2009	2.0764
USD 385,687	09-18-2007	1.9123	11-30-2009	2.1016

As of December 31, 2008 the fair value of these contracts amounted to € 769 thousand and was shown under "Other financial assets – Assets for derivative financial instruments".
The fair value was calculated using the forward curve of exchange rates as of December 31, 2008.

b) interest risk

At the end of the year, the Sogefi Group had the following contracts to hedge its interest rate risk (in thousands of Euro):

Description of IRS	*Date opened*	*Contract maturity*	*Notional*	*Fixed rate*	*Fair value*
Hedging of Sogefi S.p.A. loan for € 50 million (09/08/2006 maturity 09/08/2013), rate: Euribor 3 months + 22.5 bps	*04-24-2008*	*09-30-2012*	*10,000*	*4.193%*	*(471)*
Hedging of Sogefi S.p.A. loan for € 50 million (09/08/2006 maturity 09/08/2013), rate: Euribor 3 months + 22.5 bps	*10-07-2008*	*12-31-2010*	*15,000*	*3.755%*	*(374)*
Hedging of Sogefi S.p.A. loan for € 100 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50.0 bps	*10-07-2008*	*11-04-2010*	*10,000*	*3.860%*	*(226)*
Hedging of Sogefi S.p.A. loan for € 100 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50.0 bps	*10-07-2008*	*11-04-2010*	*10,000*	*3.890%*	*(232)*

Description of IRC	*Date opened*	*Contract maturity*	*Notional*	*Cap/Floor*	*Fair value*
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 22.5 bps	*04-24-2008*	*10-31-2012*	*10,000*	*Cap: 4.50% Floor: 3.84%*	*(344)*

Description of K.IN FORWARD ZERO COST	*Date opened*	*Contract maturity*	*Notional*	*Cap/Floor*	*Fair value*
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 22.5 bps	*04-24-2008*	*10-31-2012*	*10,000*	*Cap: 4.50% Floor: 4.20%; Knock in European:3.33%*	*(444)*
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 22.5 bps	*05-09-2008*	*10-31-2011*	*5,000*	*Cap: 4.40% Floor: 4.10%; Knock in European: 3.10%*	*(172)*

With the exception of the IRS, which provide for payment by the Group of an agreed fixed rate and receipt from the counterparty of the floating rate that is the basis of the underlying loan, the remaining financial instruments envisage the Group paying an interest rate that may fluctuate within a defined range ("Cap-Floor" for IRC and "Cap-Knock in" for the K.IN FORWARD). As regards K.IN FORWARD ZERO COST, if the quarterly Euribor falls below the "Knock in", the Group pays the "Floor" rate.
The purpose of these contracts is to limit the risk of changes in interest rates, they have been treated as hedges and the related fair value is posted to equity.
Reference should be made to the paragraph on "Interest risk" for further information on the level of hedging of interest risk.

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 as of December 31, 2008 held 56.6% of outstanding shares. Sogefi S.p.A.'s shares are listed on the Milan Stock Exchange.

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 type of services rendered; Sogefi S.p.A., the Holding Company, charges Group companies fees for administrative, financial and management support services, as well as commissions on procurement contracts negotiated at head office. The Holding Company also debits and credits interest at a market spread to those subsidiaries that have signed up for the Group's centralized treasury function.
The Holding Company has drawn up in 2008 sublicense contracts for the use of the FRAM trademark with subsidiaries of the Filters Divisions on the basis of the license agreement signed by the Holding Company with Honeywell International Inc. from July 1, 2008 up to June 30, 2021. The license contract provides the exclusive use of FRAM in the main European, previous Soviet Union and South American markets.

As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., the ultimate 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 2008 Sogefi S.p.A. used the services of CIR S.p.A., paying € 1,850 thousand for them (versus € 2,500 thousand the previous year).
As of December 31, 2008 the Italian companies of the Sogefi Group have receivables of € 4,885 thousand due from CIR S.p.A. in connection with the Group tax filing system. As of December 31, 2007, receivables amounted to € 3,406 thousand, and were received in full during the course of 2008.
As regards transactions with the directors, statutory auditors and managers with strategic responsibilities, reference should be made to the table in the report on operations which gives a list of investments held in Group companies. For the compensation paid to them in 2008, see the table below.

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

The following table summarises related party transactions:

(in thousands of Euro)	*2008*	*2007*
Receivables		
- for the Group tax filing from Cir S.p.A.	*4,885*	*3,406*
Payables		
- for the Group tax filing to Cir S.p.A	*-*	*-*
- for purchases of energy/gas to Sorgenia S.p.A	*27*	*12*
Costs		
- for services received from Cir S.p.A.	*1,850*	*2,500*
- for purchases of energy/gas from Sorgenia S.p.A.	*15*	*12*
Compensation of managers with strategic responsibilities	*1,895*	*1,544*
Compensation of directors and statutory auditors		
- directors	*689*	*674*
- statutory auditors	*148*	*148*

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 of 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 duration of the contract does not reflect most 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 lease is a contract made by the US subsidiary Allevard Sogefi U.S.A. Inc. for the rent of its plant at Prichard (West Virginia).
The contract expires on October 27, 2018 and the remaining payments amount to USD 3,901 thousand, of which USD 397 thousand due within 12 months.
For this contract Sogefi S.p.A. has provided a guarantee that covers around 50% of the remaining lease payments; this guarantee is renewed each year based on the residual amount due.
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, 2008 are as follows:

(in thousands of Euro)	*2008*	*2007*
Within 12 months	*4,480*	*3,856*
Between 1 and 5 years	*11,211*	*10,174*
Beyond 5 years	*1,729*	*2,138*
TOTAL	*17,420*	*16,168*

42. INVESTMENT COMMITMENTS

There are no binding commitments for capital expenditure other than those relating to the purchase of property, plant and equipment (€ 1,868 thousand) already disclosed in the notes to tangible fixed assets. As of December 31, 2007 the equivalent figure amounted to € 3,591 thousand.

43. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	*12.31.2008*	*12.31.2007*
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	*974*	*2,744*
b) Other personal guarantees in favour of third parties	*9,714*	*9,714*
TOTAL PERSONAL GUARANTEES GIVEN	*10,688*	*12,458*
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the balance sheet	*1,587*	*5,681*
TOTAL REAL GUARANTEES GIVEN	*1,587*	*5,681*

The guarantees given in favour of third parties relate to guarantees given to certain customers and to operating leases and are shown at a value equal to the outstanding commitment at the balance sheet date. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties. The decrease in this item with respect to the previous year is due to the redemption of a guarantee given by the Holding Company Sogefi S.p.A. for a commitment to purchase a minority shareholding of the subsidiary Allevard Sogefi USA Inc., which took place last year.

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

"Real guarantees given" refer to encumbrances or liens granted to banks to obtain loans. The decrease in this item with respect to last year is related to the redemption of the guarantee given by the subsidiary Rejna S.p.A. to a financial institution, following the repayment of the related loan. Outstanding guarantees as of December 31, 2008 relate to subsidiaries M.N. Ramarao Filters Private Ltd and EMW Environmental Technologies Private Ltd.

44. OTHER RISK

A of December 31, 2008, the Group had third-party goods and materials held at Group companies worth € 7,097 thousand (€ 5,937 thousand as of December 31, 2007).

45. SUBSEQUENT EVENTS

Due to the world crisis in the car industry, the Group's sales in January reflected the trend suffered in the last few months of 2008. In the second half-year, the situation is expected to improve following measures adopted by the various European Governments.

H) GROUP COMPANIES

46. LIST OF GROUP COMPANIES AS OF DECEMBER 31, 2008

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct subsidiaries	*Currency*	*Share capital*	*Number of shares*	*% held*	*Par value per share*	*Par value of the interest held*
REJNA S.p.A. *Settimo Torinese (Italy)*	*Euro*	*5,200,000*	*7,986,992*	*99.84*	*0.65*	*5,191,544.80*
SOGEFI FILTRATION B.V. *Weesp (Netherlands)*	*Euro*	*1,125,000*	*2,500*	*100.00*	*450*	*1,125,000*
SOGEFI FILTRATION Ltd *Llantrisant (Great Britain)*	*GBP*	*5,126,737*	*5,126,737*	*100.00*	*1*	*5,126,737*
SOGEFI FILTRATION A.B. *Stockholm (Sweden)*	*SEK*	*100,000*	*1,000*	*100.00*	*100*	*100,000*
SOGEFI FILTRATION S.A. *Cerdanyola (Spain)* *Held by Sogefi S.p.A.: 86.08%* *Held by Filtrauto S.A.: 13.92%*	*Euro*	*12,953,713.60*	*2,155,360*	*100.00*	*6.01*	*12,953,713.60*
FILTRAUTO S.A. *Guyancourt (France)*	*Euro*	*5,750,000*	*287,494*	*99.99*	*20*	*5,749,880*
ALLEVARD REJNA AUTOSUSPENSIONS S.A. *Saint Cloud (France)*	*Euro*	*36,000,000*	*1,999,747*	*99.987*	*18*	*35,995,446*
SOGEFI FILTRATION S.p.A. *Mantova (Italy)*	*Euro*	*21,951,000*	*21,951,000*	*100.00*	*1*	*21,951,000*
ALLEVARD SOGEFI U.S.A. Inc. *Prichard (U.S.A.)*	*USD*	*20,055,000*	*191*	*100.00*		*20,055,000*
SOGEFI FILTRATION d.o.o. *Medvode (Slovenia)*	*Euro*	*10,291,798*		*100.00*		*10,291,798*
SOGEFI PURCHASING S.A.S. *Paris (France)*	*Euro*	*100,000*	*10,000*	*100.00*	*10*	*100,000*

Indirect subsidiaries	*Currency*	*Share capital*	*Number of shares*	*% held*	*Par value per share*	*Par value of the interest held*
FILTRATION DIVISION *FILTRAUTO GmbH (*)* *Ludwigsburg (Germany)* *Held by Sogefi Filtration B.V.*	*Euro*	*51,130*		*100.00*		*51,130*
SOGEFI FILTRATION DO BRASIL Ltda *São Bernardo do Campo (Brazil)* *Held by Sogefi Filtration S.A.*	*BRL*	*29,857,374*	*29,857,373*	*99.99*	*1*	*29,857,373*
FILTRAUTO DO BRASIL Ltda *São Paulo (Brazil)* *Held by Sogefi Filtration do Brasil Ltda: 99%* *Held by Filtrauto S.A.: 1%*	*BRL*	*354,600*	*354,600*	*100.00*	*1*	*354,600*
SOGEFI FILTRATION ARGENTINA S.A. *Buenos Aires (Argentina)* *Held by Sogefi Filtration do Brasil Ltda: 91.90%* *Held by Filtrauto S.A.: 7.28%* *Held by Sogefi Filtration S.p.A.: 0.81%*	*ARP*	*10,691,607*	*10,691,605*	*99.99*	*1*	*10,691,605*
SHANGHAI SOGEFI AUTO PARTS Co. Ltd *Shanghai (China)* *Held by Sogefi Filtration S.p.A.*	*USD*	*5,480,000*		*100.00*		*5,480,000*
M.N. RAMARAO FILTERS Private Ltd *Bangalore (India)* *Held by Filtrauto S.A.*	*INR*	*15,893,480*	*953,609*	*60.00*	*10*	*9,536,090*
EMW ENVIRONMENTAL TECHNOLOGIES Private Ltd *Bangalore (India)* *Held by Filtrauto S.A.*	*INR*	*475,000*	*28,500*	*60.00*	*10*	*285,000*

(*) in liquidation

Indirect subsidiaries	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SUSPENSION COMPONENTS DIVISION						
ALLEVARD SPRINGS Ltd *Mid Glamorgan (Great Britain)* *Held by Allevard Rejna Autosuspensions S.A.*	*GBP*	*4,000,002*	*4,000,001*	*99.99*	*1*	*4,000,001*
ALLEVARD FEDERN GmbH *Volklingen (Germany)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*50,000*		*100.00*		*50,000*
ALLEVARD REJNA ARGENTINA S.A. *Buenos Aires (Argentina)* *Held by Allevard Rejna Autosuspensions S.A.*	*ARP*	*600,000*	*599,827*	*99.97*	*1*	*599,827*
IBERICA DE SUSPENSIONES S.L. (ISSA) *Alsasua (Spain)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*10,529,668*	*5,264,834*	*50.00*	*1*	*5,264,834*
ALLEVARD MOLAS DO BRASIL Ltda *São Paulo (Brazil)* *Held by Allevard Rejna Autosuspensions S.A.: 99.997%* *Held by Allevard Springs Ltd: 0.003%*	*BRL*	*37,161,683*	*37,161,683*	*100.00*	*1*	*37,161,683*
UNITED SPRINGS Ltd *Rochdale (Great Britain)* *Held by Allevard Rejna Autosuspensions S.A.*	*GBP*	*6,500,000*	*6,500,000*	*100.00*	*1*	*6,500,000*
UNITED SPRINGS B.V. *Hengelo (Netherlands)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*254,979*	*254,979*	*100.00*	*1*	*254,979*
SHANGHAI ALLEVARD SPRINGS Co. Ltd *Shanghai (China)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*5,335,308*		*60.58*		*3,231,919.16*
UNITED SPRINGS S.A.S. *Saint Cloud (France)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*10,218,000*	*2,043,599*	*99.99*	*5*	*10,217,995*
S.ARA COMPOSITE S.A.S. *Saint Cloud (France)* *Held by Allevard Rejna Autosuspensions S.A.*	*Euro*	*2,000,000*	*1,000,000*	*50.00*	*1*	*1,000,000*
LUHN & PULVERMACHER - DITTMANN & NEUHAUS GmbH *Hagen (Germany)* *Held by Allevard Federn GmbH*	*Euro*	*50,000*		*100.00*		*50,000*

EQUITY INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

Indirect subsidiaries	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
INTEGRAL S.A. San Luis (Argentina) Held by Filtrauto S.A.: 93.50% Held by Sogefi Filtration Argentina S.A.: 6.50%	ARP	2,515,600	2,515,600	100.00	1	2,515,600
LES NOUVEAUX ATELIERS MECANIQUES S.A. (*) Brussels (Belgium) Held by Sogefi S.p.A.: 74.9% Held by Rejna S.p.A.: 25.1%	Euro	2,880,000	120,000	100.00	24	2,880,000
AUTORUBBER S.r.l. (**) Torino (Italy) Held by Rejna S.p.A.	Euro	50,000		100.00		50,000

(*) being closed down
(**) in liquidation

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT EQUITY

	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
ALLEVARD RESSORTS COMPOSITES S.A.S. Serrieres (France) Held by Allevard Rejna Autosuspensions S.A.	Euro	300,000	60,000	50.00	2.50	150,000

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT COST

	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
MAKKAWI CARS & LORRIES Co. Khartoum (Sudan) Held by Rejna S.p.A.	SDP	900,000	225	25.00	1,000	225,000

EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
AFICO FILTERS S.A.E. *Cairo (Egypt)* *Held by Sogefi Filtration S.p.A.*	EGP	10,000,000	19,000	19.00	100	1,900,000
Iniziative Immobiliari BRE-MA S.r.l (*) *Milan (Italy)* *Held by Sogefi S.p.A.*	Euro	30,000	4,500	15.00		4,500

(*) in liquidation

CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 154-BIS OF ITALIAN LEGISLATIVE DECREE 58/98

1. *The undersigned:*
   Emanuele Bosio – Chief Executive Officer of Sogefi S.p.A.
   Alberto Marastoni – 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 no. 58 of February 24, 1998, that:

   the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2008 fiscal year:

   - *are adequate with respect to the company structure and*
   - *have been effectively applied.*

2. *No relevant aspect are to be reported on this subject.*

3. *It is also certified that:*

3.1 *the consolidated financial statements at December 31, 2008:*

   – *have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002;*

   – *correspond to the books and accounting records;*

   – *provide a true and fair representation of the financial position, results of operations and cash flows 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 results 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.*

Milan, February 26, 2009

Chief Executive Officer
Emanuele Bosio

Manager responsible for preparing financial reports

Alberto Marastoni

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/98 AND ART. 2429, COMMA 3, OF THE ITALIAN CIVIL CODE

Shareholders,

During the course of 2008, the Board of Statutory Auditors carried out the supervisory activities envisaged by law, performing the checks dictated by Legislative Decree 58/98.

In particular:

1. *The report of the Board of Directors illustrates and describes the results achieved in the markets and in the sectors in which the Group operates, including those of its subsidiaries, making particular reference to the financial and economic crisis that has had a negative impact on the results of the SOGEFI Group. Furthermore, to facilitate the comprehension of the company's situation and its performance, the board illustrated the main events of 2008, economic and financial indicators and conducted an assessment of the risks and uncertainties that the Group is currently exposed to;*
2. *no atypical and/or unusual transactions were conducted with related parties; the Company conducts numerous economic and financial transactions with Group companies, which are illustrated in the consolidated report on operations and which have been included in the relevant items on the statutory and consolidated financial statements. The Board of Directors has approved the "2008 Stock Option Plan" addressed to managers of foreign subsidiaries who hold key positions within the Group, in order to enhance loyalty and to provide an incentive to increase their commitment to improving company performance. The Plan is described in detail in the relevant section of the financial statements;*
3. *as regards standard related party and infragroup transactions, the Board of Directors has provided adequate information, details and the economic impact of the same in its report on operations;*
4. *on March 13, 2009, the Board of Statutory Auditors examined the report of independent auditors PriceWaterhouseCoopers S.p.A. on the statutory and consolidated financial statements and has acknowledged the checks made by the same, the aim of which was to ascertain that company accounts were properly maintained and that business operations were correctly recorded, permitting the financial statements to be drawn up according to Law; in particular, the Board of Statutory Auditors requested extensive information of the independent auditors regarding the work carried out to draw up the financial statements under examination. No significant matters arose during the meetings held and there are no significant issues or further need for information resulting from the report;*
5. *the Board of Statutory Auditors has not received any complaints pursuant to art. 2408 of the Civil Code;*
6. *we have received no reports of complaints or any other action undertaken;*
7. *in 2007, independent auditors, PriceWaterhouseCoopers S.p.A., were awarded the assignment to audit the Company's statutory and consolidated financial statements for a three-year period, 2007 –2008 – 2009, to conduct the half-year audits and to continuously monitor accounting activities;*
8. *fees were paid during the year for professional services other than audits, provided to the Sogefi Group by the Independent Auditors, totalling Euro 194,000; other assignments were also awarded to parties associated with the Independent Auditors, entailing fees of Euro 9,000;*
9. *during the year, we issued a favourable opinion on the appointment of the manager responsible for preparing financial reports as envisaged by art. 154bis of Legislative Decree 58/98;*
10. *the Board of Directors held 6 meetings in 2008, all of which we attended, and the Board of Statutory Auditors held 5 meetings;*
11. *within the scope of its responsibility, the Board of Statutory Auditors has gained an understanding of and supervised observance of the principles of good management; we have ensured that the Board of Directors and the Company's management have properly fulfilled all legal obligations, in particular Consob regulations;*

12. within its scope of responsibility, the Board of Statutory Auditors has gained an understanding of and supervised the adequacy of the Company's organisational structure through direct observations and by collecting information from departmental managers; we therefore consider the organisation structure to be appropriate to the dimensions of the Company and the operations of the same;

13. the Board of Statutory Auditors has assessed the adequacy of the internal audit system, by checking operations and internal control procedures currently adopted;

14. the Board of Statutory Auditors has assessed the adequacy of the administrative and accounting system, as well as the reliability of the same to correctly reflect the company's business activities, based on the continuous provision of information by the various departmental managers and the assessment made by the Independent Auditors;

15. pursuant to point 2 of art. 114 of Legislative Decree 58/98, the Company provides the correct instructions to its subsidiaries in order to obtain all of the information required to fulfil its legal obligations. The Board of Statutory Auditors has monitored the functioning of the system adopted to control equity investments and has ascertained the adequacy of the tools set in place to communicate instructions issued by the Holding Company. We retain said tools to be appropriate to the structure and the dimensions of the Group;

16. pursuant to art. 150, paragraph 3 of Legislative Decree 58/98, in 2008, the Board of Statutory Auditors held one meeting with independent auditors PriceWaterhouseCoopers S.p.A. in order to exchange data and information required to perform their respective assignments. During the course of the above meeting, no issues of any significance emerged that warrant mention in this report;

17. the Company has adopted the Code of Self-Discipline for the Corporate Governance of listed companies and the Board of Statutory Auditors has examined the reports regarding the work conducted by the Internal Control and Remuneration Committees and the activities performed by the Supervisory Body. On 02.26.2008, the Board of Directors verified that the requirement for the independence of directors as envisaged by the Code was met. The result of the periodic check by the Board of Statutory Auditors was also positive;

18. during the above-illustrated supervisory activities, no significant facts emerged that warrant notification or mention in this report;

19. the Board of Statutory Auditors has verified that the statutory financial statements and the consolidated financial statements of the Sogefi Group for the year ended December 31, 2008, have been drawn up in compliance with the legislation in force and regulations regarding the formation, the layout of financial statement schedules, their accompanying documentation and the Company's adoption of international accounting standards IAS/IFRS; similarly, the report on operations for 2008 is coherent with the resolutions adopted by the Board of Directors, as well as the facts represented in the statutory and consolidated financial statements.

The statutory financial statements for the year ended 12.31.2008, show a net profit of Euro 29,222,461, while the consolidated financial statements of the Sogefi Group show a net profit of Euro 28,495,000.
On the basis of the above, within its scope of responsibility, the Board of Statutory Auditors has not found any reasons to hinder approval, and therefore joins the Board of Directors inviting shareholders to approve the Financial Statements as at 12.31.2008, together with the proposal regarding the allocation of profit for the year, as illustrated by the Board of Directors in the Report on Operations.
The Board of Statutory Auditors hereby concludes it term of office and wishes to thank you for the trust you have shown in us.

Mantua, March 14, 2009

THE BOARD OF STATUTORY AUDITORS
Angelo Girelli (Chairman)
Giuseppe Leoni (Auditor)
Riccardo Zingales (Auditor)

Information to be made public pursuant to art. 144-quinquiesdecies of Regulation on issuers about the Chairman of the Board of Statutory Auditors - Angelo Girelli
List of posts held at report date pursuant to art. 153 of Legislative Decree no. 58/1998

Drawn up according to all. 5-bis, schema 4 of Regulation on issuers

Name of the company	*Post*	*Term in office ends on*
Agrimar S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Agrisviluppo S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Ballarini Paolo & Figli S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Caleffi S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Consorzio Mantova Export	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Eurofin Paper S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Eurocart S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Faiplast S.r.l.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2008*
Filippini Auto S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Filippini Moto S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Garlatti S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2008*
Graepel Italiana S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2008*
Immobiliare Chiese di Perini & C. S.p.A.	*Acting Auditors*	*Approval of financial statements 31/12/2010*
Immobiliare Regis S.r.l.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Is Molas S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Martelli F.lli S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Mazzini 82 S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Pluricart S.p.A.	*Acting Auditors*	*Approval of financial statements 31/12/2010*
Omniaholding S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Omniainvest S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*
Rodriquez Cantieri Navali S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Rcn Finanziaria S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Sensim S.p.A.	*Acting Auditors*	*Approval of financial statements 31/12/2008*
Sogefi S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2008*
Sogefi Filtration S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2008*
Stai Prefabbricati S.p.A.	*Acting Auditors*	*Approval of financial statements 31/12/2008*
Stai Prefabbricati S.r.l.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2009*
Vetreria del Chiese S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of financial statements 31/12/2010*

Number of posts held in issuers: 2
Number of total posts held: 28

Information to be made public pursuant to art. 144-quinquiesdecies of Regulation on issuers about Acting Auditor - Giuseppe Leoni
List of posts held at report date pursuant to art. 153 of Legislative Decree no. 58/1998

Drawn up according to all. 5-bis, schema 4 of Regulation on issuers

A. LIST OF POSTS

- *QUARTIERI DURINI S.p.A. based in Milan, Via Durini n. 24, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2008;*
- *REDA S.p.A. based in Milan, Via Tanaro n. 14, Acting Auditor up to approval of financial statements as of December 31, 2010;*
- *ISEO GOMMA S.p.A. based in Sale Marasino (Brescia), Via Giardino n. 20, Acting Auditor up to approval of financial statements as of December 31, 2010;*
- *POSA S.p.A. based in Cologno Monzese (Milan), Via Sormani n. 40, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2010;*
- *STARWOOD ITALIA S.r.l. based in Milan, Piazza della Repubblica n. 20, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2009;*
- *CIGA S.r.l. based in Milan, Piazza della Repubblica n. 20, Acting Auditor up to approval of financial statements as of December 31, 2010;*
- *GAS PLUS S.p.A. based in Milan, Viale Enrico Forlanini n. 17, Acting Auditor up to approval of financial statements as of December 31, 2008;*
- *GAS PLUS RETI S.r.l. based in Milan, Viale Enrico Forlanini n. 17, Acting Auditor up to approval of financial statements as of December 31, 2008;*
- *GAS PLUS VENDITE S.r.l. based in Milan, Viale Enrico Forlanini n. 17, Acting Auditor up to approval of financial statements as of December 31, 2009;*
- *GAS PLUS ITALIANA S.p.A. based in Milan, Viale Enrico Forlanini n. 17, Acting Auditor up to approval of financial statements as of December 31, 2009;*
- *TRASPORTI AGRICOLI S.p.A. based in Milan, Via Carducci n. 9, Acting Auditor up to approval of financial statements as of December 31, 2010;*
- *IMMOBILIARE STATICE S.p.A. based in Milan, Via Cappuccini n. 14, Acting Auditor up to approval of financial statements as of December 31, 2009;*
- *ILLVA SARONNO INVESTMENTS S.r.l. based in Saronno (Varese), Via Archimede n. 243, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2008;*
- *GEFIN S.p.A. based in Milan, Piazza Paolo Ferrari n. 8, Non-executive director up to approval of financial statements as of December 31, 2010;*
- *SOGEFI S.p.A. based in Mantova, Via U. Barbieri n.1, Acting auditor up to approval of financial statements as of December 31, 2008;*
- *REJNA S.p.A. based in Settimo Torinese (TO), Via Milano n. 199, Acting auditor up to approval of financial statements as of December 31, 2009.*

B. NUMBER OF TOTAL POSTS HELD: 16

C. NUMBER OF POSTS HELD IN ISSUERS: 2

Information to be made public pursuant to art. 144-quinquiesdecies of Regulation on issuers about Acting Auditor - Riccardo Zingales
List of posts held at report date pursuant to art. 153 of Legislative Decree no. 58/1998

Drawn up according to all. 5-bis, schema 4 of Regulation on issuers

Name of the company	*Post*	*Term in office ends on*
Banca Albertini Syz & C. S.p.A.	*Director*	*Approval of Financial statements 31/12/2009*
Beta Mobiliare S.r.l. in Liq.	*Liquidator*	*indefinite*
CIR S.p.a.	*Acting Auditor*	*Approval of Financial statements 31/12/2010*
Cirinvest S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2009*
Cofide S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2010*
Dry Products S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2010*
Sorgenia Menowatt S.r.l.	*Acting Auditor*	*Approval of Financial statements 31/12/2009*
Energia Italiana S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2009*
Energia Lombarda S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2010*
Energia Molise S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2008*
F S.r.l.	*Sole Director*	*indefinite*
Faremuro S.r.l.	*Sole Director*	*indefinite*
G S.r.l.	*Sole Director*	*indefinite*
Immobiliare Bonaparte Ventidue S.r.l.	*Sole Director*	*indefinite*
Immobiliare Palman S.r.l.	*Acting Auditor*	*Approval of Financial statements 31/12/2009*
Jupiter Marketplace S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2008*
Lng Med Gas Terminal S.r.l.	*Acting Auditor*	*Approval of Financial statements 31/12/2009*
Loft Colonna S.r.l.	*Sole Director*	*indefinite*
Loft Tartaglia S.r.l.	*Sole Director*	*indefinite*
Manzonimmobiliare S.r.l.	*Sole Director*	*indefinite*
P S.r.l.	*Sole Director*	*indefinite*
Quintiliana S.r.l.	*Sole Director*	*indefinite*
Rejna S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2009*
Sabiana S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2008*
Sogefi S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2008*
Sorgenia Bioenergy S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2010*
Sorgenia Holding S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2009*
Sorgenia Minervino S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2009*
Sorgenia Puglia S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2010*
Sorgenia S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2010*
Sorgenia Trading S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2011*
Stemgen S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2008*
Tirreno Power S.p.A.	*Acting Auditor*	*Approval of Financial statements 31/12/2010*
Valora S.p.A.	*Director*	*Approval of Financial statements 31/12/2009*
Veolia Servizi Ambientali S.p.A.	*Chairman of the Board of Statutory Auditors*	*Approval of Financial statements 31/12/2009*
Verbena S.r.l. in Liq.	*Liquidator*	*indefinite*
Voluta S.r.l.	*Sole Director*	*indefinite*
Wellboat Real Estate Italy S.r.l.	*Sole Director*	*indefinite*

Numer of posts held in issuers: 3
Numer of total posts held: 38

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE NO. 58 DATED 24 FEBRUARY 1998

To the shareholders of
SOGEFI SpA

1 We have audited the consolidated financial statements of Sogefi SpA and its subsidiaries ('Sogefi Group') as of 31 December 2008, comprising the consolidated balance sheet, income statement, cash flow statement, changes in shareholders' equity and related notes. The preparation of these consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by the European Union and the regulations issued to implement article 9 of Legislative Decree No. 38/2005 is the responsibility of Sogefi'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 and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. 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. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the prior year's consolidated financial statements, which are presented for comparative purposes, reference should be made to our report dated 25 March 2008.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25123 Via Borgo Pietro Wührer 23 Tel. 0303697501 – **Firenze** 50129 Viale Milton 65 Tel. 055471747 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 08136181 – **Padova** 35138 Via Vicenza 4 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Manzoni 16 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel.0458002561

PRICEWATERHOUSECOOPERS

3 In our opinion, the consolidated financial statements of Sogefi SpA as of 31 December 2008 comply with the International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005; accordingly, they have been drawn up clearly and give a true and fair view of the consolidated financial position, results of operations, changes in shareholders' equity and cashflows of Sogefi Group for the year then ended.

4 The preparation of the report on operations in compliance with the applicable laws and regulations is the responsibility of Sogefi's directors. Our responsibility is to express an opinion on the consistency of the report on operations with the consolidated financial statements, as required by article 156, paragraph 4-bis, letter d), of Law Decree No. 58/98. To this end, we have performed the procedures indicated in audit standard No. PR 001 issued by *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*, the representative body of the Italian accounting profession, and recommended by CONSOB, the national stock exchange commission. In our opinion, the report on operations is consistent with the consolidated financial statements of Sogefi SpA as of 31 December 2008.

Milan, 13 March 2009

PricewaterhouseCoopers SpA

Sergio Pizzarelli
(Partner)

This report has been translated from the original which was issued in accordance with Italian legislation.