2009

BOARD OF DIRECTORS REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS

(Translation into English of the original Italian version)

CONTENTS

30th YEAR OF OPERATIONS

BOARD OF DIRECTORS

Honorary Chairman	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI (1)
Managing Director and General Manager	EMANUELE BOSIO (2)
Directors	CARLO DE BENEDETTI (4)
	OLIVIERO MARIA BREGA (3)
	PIERLUIGI FERRERO (3)
	GIOVANNI GERMANO
	FRANCO GIRARD
	ALBERTO PIASER
	RENATO RICCI
	ROBERTO ROBOTTI (4) (5) (6)
	PAOLO RICCARDO ROCCA (5) (6) (7)
	ANTONIO TESONE (4) (5)
Secretary to the Board	NIVES RODOLFI

BOARD OF STATUTORY AUDITORS

Chairman	ANGELO GIRELLI
Acting Auditors	GIUSEPPE LEONI
	RICCARDO ZINGALES
Alternate Auditors	LUIGI BAULINO
	MAURO GIRELLI
	LUIGI MACCHIORLATTI VIGNAT

INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS S.p.A.

Details on the exercise of powers (Consob Resolution no. 97001574 of February 20, 1997):

(1) All ordinary and extraordinary powers with single signature, except for those delegated to the Board of Directors by law or the by-laws.
(2) All ordinary powers with single signature.
(3) All ordinary and extraordinary powers with joint signatures, except for those delegated to the Board of Directors by law or the by-laws.
(4) Members of the Remuneration Committee.
(5) Members of the Internal Control Committee.
(6) Members of the Supervisory Body (Legislative Decree 231/2001).
(7) Lead independent director.

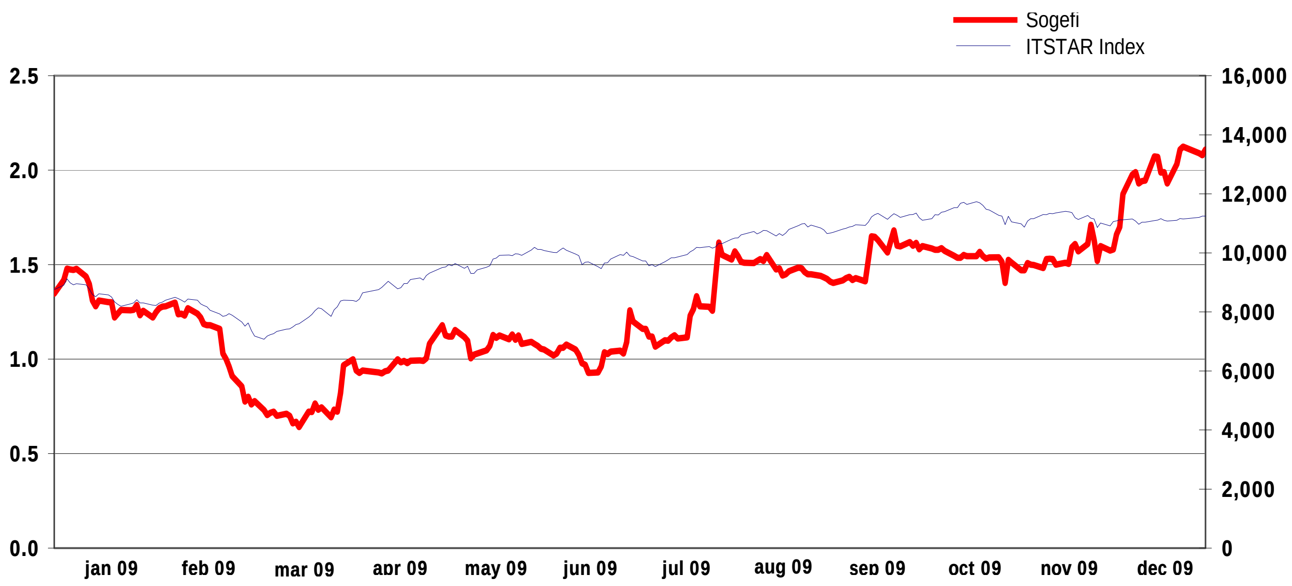
OVERVIEW OF GROUP RESULTS

(in millions of Euro)	2006		2007		2008		2009	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	1,018.6	100.0%	1,071.8	100.0%	1,017.5	100.0%	781.0	100.0%
EBITDA	128.5	12.6%	134.6	12.6%	104.9	10.3%	47.2	6.0%
Operating result	106.6	10.5%	113.6	10.6%	87.6	8.6%	33.7	4.3%
Ebit	83.5	8.2%	89.9	8.4%	62.4	6.1%	5.1	0.6%
Result before taxes and minority interests	74.9	7.4%	80.6	7.5%	48.2	4.7%	(5.6)	-0.7%
Net result	50.8	5.0%	52.2	4.9%	28.5	2.8%	(7.6)	-1.0%
Self-financing	91.2		94.8		66.3		34.8	
Free cash flow	58.6		55.9		(6.9)		90.0	
Net financial position	(126.3)		(92.4)		(257.2)		(170.2)	
Total shareholders' equity	295.7		326.7		178.3		182.2	
GEARING	0.43		0.28		1.44		0.93	
ROI	19.6%		21.4%		14.6%		1.3%	
ROE	19.3%		17.7%		12.1%		-4.7%	
Number of employees at December 31	6,168		6,208		6,100		5,770	
Dividends per share (Euro)	0.20		0.22	(*)	-		-	(**)
EPS (Euro)	0.457		0.465		0.250		(0.067)	
Average annual price per share	5.4643		6.5352		2.8443		1.2986	

(*) 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 Euro) and of the ITSTARS index, from January to December 2009.



REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS IN 2009

Shareholders,

In 2009 the world automobile industry went through one of the most difficult periods in its history, with an unprecedented contraction in production levels in mature markets.

The collapse of the financial markets, which began in the second half of 2008, had serious repercussions on all sectors of the economy, particularly penalising the demand for new vehicles, curbed by consumers' lesser propensity to purchase also due to a reduced accessibility to credit.

In such a context the incentive plans implemented by individual governments proved essential to avoiding the collapse of the *automobile* industry. While the decline in car sales was limited thanks to the support measures provided, the number of vehicles produced decreased significantly owing to manufacturers' need to drastically reduce the high stocks of unsold vehicles.

The Group's activity during the year was inevitably conditioned by the industry's strongly negative performance, even though it still essentially confirmed its market shares and leading position, with trends in revenues in line with the general trends in each of the markets on which it operates.

During 2009 **consolidated revenues** were therefore equal to € 781 million, down by 23.2% compared to the 1,017.5 million of 2008 and the **consolidated net result** was negative by € 7.6 million, compared to a profit of 28.5 million in the previous year.

In the most important market for the Group, the European one, the automobile industry recorded a fall in production of 18% for cars and of over 60% for industrial vehicles, which did not benefit from any incentive.

Thanks to a reduction in taxes, the Brazilian market essentially confirmed the business volumes achieved in 2008, with growing demand from the domestic market replacing exports which have become difficult also on account of the revaluation of the real.

In China the automobile sector, benefiting from the plans to support the economy implemented by the government, posted an impressive increase in sales of over 40% on the previous twelve month period.

In the other two markets in which the Group operates, India confirmed the growth trend of recent years, while in North America production reached the lowest levels of the past fifty years (-30% compared to 2008), leading to financial difficulties for major manufacturers, who requested intervention from the US government.

Also in Japan, where Sogefi does not operate directly, domestic demand experienced a sharp downturn, aggravating a scenario that was already feeling the effects of the lower production for export.

The *Suspension Components* Division, almost exclusively active in the *original equipment* segment and more present in the *industrial vehicles* segment, recorded a more significant downturn in sales revenues (-29.5%) compared to the *Filtration* Division (-16.6%), which benefits from the stability of sales in the *aftermarket* segment.

(in millions of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
Filters	414.8	53.1	497.5	48.9
Suspension components and precision springs	368.0	47.1	521.9	51.3
Intercompany eliminations	(1.8)	(0.2)	(1.9)	(0.2)
TOTAL	781.0	100.0	1,017.5	100.0

Following the reduction of the major markets, the Group's share of revenues achieved in *original equipment* decreased significantly as set forth in the table below:

(in millions of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
Original Equipment (O.E.)	480.8	61.6	680.6	66.9
Independent Aftermarket (I.A.M.)	193.1	24.7	210.8	20.7
Original Equipment Spares (O.E.S.)	107.1	13.7	126.1	12.4
TOTAL	781.0	100.0	1,017.5	100.0

A breakdown of trends in revenues by country confirms France and Germany as the most important markets and highlights a reduction in the contribution from Great Britain and Spain. Activity has increased in South America where it has risen to a 19.6% share, and also in China, while it is stable in the USA, despite a standstill in production in the *suspension components* segment in mid 2009. In the first year of operation the Indian market represented 0.8% of the total.

(in millions of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
France	189.8	24.3	220.2	21.6
Germany	103.9	13.3	155.0	15.2
Italy	68.5	8.8	90.9	8.9
Great Britain	66.2	8.5	109.5	10.8
Spain	39.1	5.0	61.3	6.0
Benelux	38.8	4.9	63.7	6.3
Other European countries	89.8	11.5	107.2	10.5
Mercosur	153.0	19.6	175.1	17.2
United States	15.0	1.9	19.3	1.9
China	6.8	0.9	5.6	0.5
India	6.0	0.8	0.5	0.1
Rest of the World	4.1	0.5	9.2	1.0
TOTAL	781.0	100.0	1,017.5	100.0

In 2009, as all major customers considerably reduced their production levels, there were no significant changes compared to the previous years in the distribution of revenues. The customers Peugeot-Citroën and General Motors increased their share of sales, while the weight of the *industrial vehicles* manufacturers (DAF, Daimler) inevitably decreased.

(in millions of Euro)	2009		2008	
Group	*Amount*	*%*	*Amount*	*%*
Renault/Nissan	95.8	12.3	122.1	12.0
PSA	94.0	12.0	112.2	11.0
Ford/Volvo	80.9	10.4	109.3	10.7
FIAT/IVECO	69.1	8.9	93.9	9.2
Volkswagen/Audi	47.5	6.1	66.4	6.5
Daimler	46.5	6.0	75.5	7.4
GM	29.0	3.7	33.6	3.3
Toyota	14.1	1.8	18.7	1.8
DAF/Paccar	13.6	1.7	40.2	4.0
Man	6.9	0.9	10.4	1.0
Honda	6.8	0.9	10.5	1.0
BMW	4.6	0.6	5.7	0.6
Chrysler	3.3	0.4	4.6	0.5
Caterpillar	3.2	0.4	9.4	0.9
Other	265.7	33.9	305.0	30.1
TOTAL	781.0	100.0	1,017.5	100.0

A breakdown of revenues by product line shows *filtration* products to have had a greater incidence on Group revenues, as they were less affected due to their presence in the *aftermarket* segment.

(in millions of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
Oil filters	194.5	24.9	248.8	24.4
Stabilizer bars	153.6	19.7	208.7	20.5
Coil springs	115.7	14.8	141.5	13.9
Air filters	105.0	13.4	112.0	11.0
Diesel filters	62.7	8.0	71.7	7.0
Leaf springs	39.2	5.0	84.5	8.3
Petrol filters	18.8	2.4	21.1	2.1
Precision springs	17.3	2.2	27.2	2.7
Torsion bars	14.9	1.9	19.3	1.9
Cabin filters	13.9	1.8	15.1	1.5
Railway	10.0	1.3	10.4	1.0
Stabilinks	8.4	1.1	19.6	1.9
Other	27.0	3.5	37.6	3.8
TOTAL	781.0	100.0	1,017.5	100.0

The strongly negative performance of revenues penalised Group profitability, as highlighted by the 2009 income statement, compared with that of the previous year, set forth below:

(in millions of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
Sales revenues	781.0	100.0	1,017.5	100.0
Variable cost of sales	529.8	67.8	681.7	67.0
CONTRIBUTION MARGIN	251.2	32.2	335.8	33.0
Manufacturing and R&D overheads	90.4	11.6	107.3	10.5
Depreciation and amortization	42.1	5.4	42.5	4.2
Distribution and sales fixed expenses	31.1	4.0	35.9	3.5
Administrative and general expenses	53.9	6.9	62.5	6.2
OPERATING RESULT	33.7	4.3	87.6	8.6
Restructuring costs	17.2	2.2	11.5	1.1
Losses (gains) on disposal	1.2	0.2	-	-
Exchange (gains) losses	0.8	0.1	2.2	0.2
Other non-operating expenses (income)	9.4	1.2	11.5	1.2
EBIT	5.1	0.6	62.4	6.1
Financial expenses (income), net	10.8	1.4	14.0	1.4
Losses (gains) from equity investments	(0.1)	(0.1)	0.2	-
RESULT BEFORE TAXES AND MINORITY INTERESTS	(5.6)	(0.7)	48.2	4.7
Income taxes	0.7	0.1	16.8	1.7
NET RESULT BEFORE MINORITY INTERESTS	(6.3)	(0.8)	31.4	3.0
Loss (income) attributable to minority interests	(1.3)	(0.2)	(2.9)	(0.2)
GROUP NET RESULT	(7.6)	(1.0)	28.5	2.8

In the last few months of 2008 and for the whole of 2009 a strict and progressive plan to reduce all cost factors, both variable and fixed, was implemented in order to ensure rapid adjustment to the drastically reduced volumes of business.

The deflationary world scenario has allowed the Group to benefit from the reduction in the costs of raw materials and components, with the impact of materials on sales standing at 45.5% in 2009 (46.9% in the previous year). The total number of employees was adjusted to the new volumes of business with regard to all types and categories of personnel, using forms of flexibility in the countries where this is permitted by legislation or definitive reorganisation schemes, with the termination of personnel with fixed-term contracts and through retirement incentive plans.

The organisational and managerial structure was further streamlined and simplified, with centralisation of the sales function, research and development of processes and products and the procurement function in France and Brazil, leaving only the essential structures required for local management in the other Group companies worldwide.

These measures allowed a progressive recovery, quarter after quarter, in profitability also thanks to an improvement of revenues in the second half of the year and the substantial stability of sales prices.

In 2009 the following figures were posted: **consolidated contribution margin** of € 251.2 million (32.2% of sales), down by 25.2% compared to the 335.8 million (33% of sales) in the previous year and a **consolidated operating profit** equal to € 33.7 million (4.3% of sales), down by 61.6% compared to the 87.6 million of 2008 (8.6% of sales).

Total personnel cost was reduced by € 37.4 million compared to the previous year, with a percentage on sales of 26.2% compared to 23.8% in the previous year. At the end of the year active employees (including temporary workers and excluding employees subject to flexible arrangements) totalled 5,725, a fall of 200 (-3.4%) compared to the same period of 2008.

As of December 31, 2009, the Group's workforce consisted of 5,770 employees, compared to 6,100 as of December 31, 2008, broken down as follows:

	12.31.2009		12.31.2008	
	Number	*%*	*Number*	*%*
Filters	3,400	58.9	3,516	57.6
Suspension components and precision springs	2,312	40.1	2,558	41.9
Other	58	1.0	26	0.5
TOTAL	5,770	100.0	6,100	100.0

At the end of the two years the breakdown by category is the following:

	12.31.2009		12.31.2008	
	Number	*%*	*Number*	*%*
Managers	88	1.5	87	1.4
Clerical staff	1,329	23.0	1,434	23.5
Direct blue collar workers	3,462	60.0	3,588	58.9
Indirect blue collar workers	891	15.5	991	16.2
TOTAL	5,770	100.0	6,100	100.0

The operating result was also affected by the accrual to the provision for risks, both specific and calculated on a statistical basis, of € 3.5 million, against litigation with customers for potential costs relating to product quality problems.

Non-ordinary operations include net income of € 1.5 million originating from insurance indemnities following the damage caused by a fire in 2008 at the Clydach (UK) suspension plant.

Furthermore aggregate costs for reorganisations totalled € 17.2 million (with a considerable increase compared to the € 11.5 million in 2008 and the € 7.6 million in 2007), of which € 8.3 million made up of accruals for streamlining measures already approved but to be implemented in the early months of 2010, mainly relating to closure of the Custines torsion bars production site (€ 3.6 million) and reorganisations in Filtrauto S.A. (€ 3.2 million).

These considerable extraordinary costs, which were necessary to adjust the structural costs to the reduced activity levels, had a further negative impact on **consolidated EBITDA** (earnings before interest, tax, depreciation and amortisation) which was equal to € 47.2 million (6.0% of sales), down by 55% compared to the € 104.9 million of the previous twelve months (10.3% of sales). The **consolidated EBIT** (earnings before interest and tax) posted a similar trend, reaching € 5.1 million (0.6% of sales), down by 91.9% compared to the previous figure of € 62.4 million (6.1% of sales).

The considerable reduction in the net financial indebtedness and the fall in interest rates allowed a 22.9% reduction in financial expenses in 2009, which totalled € 10.8 million compared to the previous figure of 14 million.

The **Result before taxes and minority interests** was negative by € 5.6 million, compared to a profit of € 48.2 million in 2008.

As already mentioned, the **consolidated net result** was negative by € 7.6 million, comparing to a profit of € 28.5 million in the previous year.

The measures implemented during the year, for the precise purpose of reducing the **net financial indebtedness,** improved figures (+33.8%) from € 257.2 million as of December 31, 2008 to € 170.2 million as of December 31, 2009. This result was possible, despite temporary postponements in collections from some customers, thanks to the partial extension of suppliers' payment terms, the non recourse sale of trade receivables for € 30.4 million (no sale as of December 31, 2008), stock reduction for € 30.6 million and the downsizing of new investments, which fell to € 34.3 million from 60.4 million of 2008.

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

(in millions of Euro)	12.31.2009	12.31.2008
Cash, banks, financial receivables and securities held for trading	111.6	50.3
Medium/long-term financial receivables	0.1	-
Short-term financial debts (*)	(72.7)	(55.9)
Medium/long-term financial debts	(209.2)	(251.6)
NET FINANCIAL POSITION	(170.2)	(257.2)

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

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

(in millions of Euro)	Note*	2009	2008
SELF-FINANCING	(f)	34.8	66.3
Change in net working capital		85.4	(9.6)
Other medium/long-term assets/liabilities	(g)	0.8	(1.9)
CASH FLOW GENERATED BY OPERATIONS		**121.0**	**54.8**
Sale of equity investments	(h)	-	0.3
Net decrease from sale of fixed assets	(i)	1.5	0.3
TOTAL SOURCES		122.5	55.4
Increase in intangible assets		11.8	14.4
Purchase of tangible assets		22.5	41.1
Purchase of equity investments		-	4.9
TOTAL APPLICATION OF FUNDS		34.3	60.4
Net financial position of subsidiaries purchased/sold during the year		-	(0.2)
Exchange differences on assets/liabilities and equity	(l)	1.8	(1.7)
FREE CASH FLOW		**90.0**	**(6.9)**
Holding Company increases in capital		-	4.8
Net purchase of treasury share		-	(1.2)
Increases in share capital of consolidated subsidiaries		-	1.0
Dividends paid by the Holding Company to shareholders		-	(159.5)
Dividends paid by subsidiaries to minority interests		(3.0)	(3.0)
CHANGES IN SHAREHOLDERS' EQUITY		(3.0)	(157.9)
Change in net financial position	(m)	**87.0**	**(164.8)**
Opening net financial position	(m)	**(257.2)**	**(92.4)**
CLOSING NET FINANCIAL POSITION	(m)	**(170.2)**	**(257.2)**

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

As of December 31, 2009 the **consolidated capital structure**, as illustrated in the table below, shows **consolidated equity** equal to € 166.8 million, up by 3.7% compared to the 160.9 million of year end 2008:

(in millions of Euro)	Note*	12.31.2009		12.31.2008	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	(a)	231.0		322.2	
Short-term operating liabilities	(b)	(204.5)		(210.0)	
Net working capital		26.5	7.5	112.2	25.8
Investments	(c)	0.5	0.2	0.5	0.1
Intangible, tangible fixed assets and other medium and long-term assets	(d)	407.6	115.6	399.9	91.8
CAPITAL INVESTED		434.6	123.3	512.6	117.7
Other medium and long-term liabilities	(e)	(82.2)	(23.3)	(77.1)	(17.7)
NET CAPITAL INVESTED		352.4	100.0	435.5	100.0
Net financial position		170.2	48.3	257.2	59.1
Minority interests		15.4	4.4	17.4	4.0
Consolidated equity of the Group		166.8	47.3	160.9	36.9
TOTAL		352.4	100.0	435.5	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.

At year end the **gearing** (net financial position/total equity ratio) stood at 0.93 and compares to the 1.44 of twelve months earlier.

As of December 31, 2009 the net financial position/normalised EBITDA (excluding costs and revenues from non-ordinary operations) ratio was equal to 2.64 (2.20 at 2008 year end).

ROI (return on investment), was equal to 1.3% (14.6% in 2008), while **ROE** (return on equity) was negative by 4.7% (positive by 12.1% in the previous year).

In 2009 *research and development* activities for new products and processes, which were cut to € 18.5 million from the previous 20.5 million, focused on strategic issues concerning innovation of materials to offer customers solutions for creating vehicles that are increasingly ecological and light.

New technical investments, reduced to € 22.5 million compared to € 41.1 in 2008, also focused on strategic development initiatives aimed at strengthening the Group's presence in markets experiencing strong growth like China and India, and markets where Sogefi did not previously operate (filtration in the USA).

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

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

Net result for the year

(in millions of Euro)	2009	2008
Net profit per Sogefi S.p.A. financial statements	33.4	29.2
Group share of results of subsidiary companies included in the consolidated financial statements	(0.7)	35.8
Writedowns of equity investments in Sogefi S.p.A.	-	4.6
Elimination of intercompany dividends received by Sogefi S.p.A.	(40.0)	(40.8)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	(0.3)	(0.3)
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	(7.6)	28.5

Shareholders' equity

(in millions of Euro)	12.31.2009	12.31.2008
Shareholders' equity per Sogefi S.p.A. financial statements	163.7	130.3
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	1.8	29.0
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	1.3	1.6
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	166.8	160.9

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

The Holding Company, Sogefi S.p.A., closed 2009 with a net profit of € 33.4 million, up 14.3% compared to € 29.2 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)	2009	2008
Financial income/expenses and dividends	35.5	35.5
Adjustments to financial assets	-	(4.6)
Other operating revenues	9.8	10.4
Operating costs	(13.6)	(13.4)
Other non-operating income (expenses)	0.1	(0.4)
RESULT BEFORE TAXES	31.8	27.5
Income taxes	(1.6)	(1.7)
NET PROFIT	33.4	29.2

In 2009 the Company collected dividends of € 40.0 million, a decrease of € 0.8 million compared to 2008; this decrease was entirely offset by lower net financial expenses.
The table above shows that the 2008 income statement was penalised by a write-down of € 4.6 million of the subsidiary Allevard Sogefi U.S.A. Inc..

As regards the **statement of financial position**, the table below shows the main items as of December 31, 2009, compared with the figures recorded at the end of the previous year:

(in millions of Euro)	Note*	12.31.2009	12.31.2008
Short-term assets	(n)	4.9	6.3
Short-term liabilities	(o)	(4.0)	(4.1)
Net working capital		0.9	2.2
Investments	(p)	271.9	264.3
Other fixed assets	(q)	28.6	28.2
CAPITAL INVESTED		301.4	294.7
Other medium and long-term liabilities	(r)	(1.6)	(1.5)
NET CAPITAL INVESTED		299.8	293.2
Net financial position		136.1	162.9
Shareholders' equity		163.7	130.3
TOTAL		299.8	293.2

* 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 the item "Investments" mainly refers to the purchase, in December 2009, for an amount of € 7.3 million, of 100% of the Chinese company Shanghai Sogefi Auto Parts Co. Ltd previously held by the subsidiary Sogefi Filtration S.p.A..

The "Shareholders' equity" as of December 31, 2009 has increased considerably, totalling € 163.7 million, compared to the figure as of December 31, 2008 (€ 130.3 million), owing to the 2009 result and retained earnings from the previous year.

The above, together with the cash generated during the year, contributed to improving the **net financial indebtedness** by € 26.8 million, corresponding to a positive variation of 16.5% compared to the value as at December 31, 2008.

(in millions of Euro)	12.31.2009	12.31.2008
Short-term cash investments	62.7	6.9
Medium/long-term financial receivables to third and subsidiaries	119.6	125.5
Short-term financial debts (*)	(120.3)	(62.3)
Medium/long-term financial debts	(198.1)	(233.0)
NET FINANCIAL POSITION	(136.1)	(162.9)

(*) 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*	2009	2008
SELF-FINANCING	(s)	33.2	33.7
Change in net working capital		1.3	(1.2)
Other medium/long term assets/liabilities	(t)	-	(1.4)
CASH FLOW GENERATED BY OPERATIONS		**34.5**	**31.1**
Sale of equity investments		-	0.2
TOTAL SOURCES		34.5	31.3
Increase in intangible assets		0.1	-
Purchase of tangible assets		0.1	0.3
Purchase of equity investments		7.5	8.5
TOTAL APPLICATION OF FUNDS		7.7	8.8
FREE CASH FLOW		**26.8**	**22.5**
Holding Company increases in capital		-	4.8
Net purchase of treasury shares		-	(1.2)
Dividends paid by the Holding Company		-	(159.5)
CHANGES IN SHAREHOLDERS' EQUITY		-	(155.9)
Change in net financial position	(u)	**26.8**	**(133.4)**
Opening net financial position	(u)	**(162.9)**	**(29.5)**
CLOSING NET FINANCIAL POSITION	(u)	**(136.1)**	**(162.9)**

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

In 2009, Free Cash Flow generated was € 26.8 million, representing an increase of 19.4% compared to the previous year. This increase was mainly generated by self-financing after deduction of the resources used to purchase the equity investment in the Chinese company mentioned above.

PERFORMANCE BY BUSINESS DIVISION

FILTRATION DIVISION

The Division's key figures and economic indicators for the year, compared with those of the three previous years, are shown in the table below:

KEY ECONOMIC DATA

(in millions of Euro)	2006	2007	2008	2009	var. '09 vs '08
Sales revenues	527.2	548.2	497.5	414.8	-16.6%
EBITDA	70.2	67.8	44.0	27.1	-38.6%
Operating profit	58.1	57.7	43.2	22.1	-48.9%
Ebit	51.9	49.1	26.6	9.7	-63.5%
Net result	34.4	33.3	16.6	5.0	-70.0%

KEY FINANCIAL DATA

(in millions of Euro)	2006	2007	2008	2009	var. '09 vs '08
Shareholders' equity	134.9	142.9	122.1	116.2	-4.8%
Net financial position	10.9	25.9	(4.5)	30.3	766.1%

OTHER INDICATORS

	2006	2007	2008	2009	var. '09 vs '08
Number of employees	3,603	3,629	3,516	3,400	-3.3%

2009 performance of the *filtration* activities in the two main areas in which the division operates is analysed in the table 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	318.3	100.0	89.6	100.0	9.6	(2.7)	414.8	100.0
Operating result	12.4	3.9	10.7	11.9	(1.0)	-	22.1	5.3
EBIT	-	-	10.5	11.8	(0.9)	0.1	9.7	2.3
Result before taxes	7.9	2.5	10.7	11.9	(1.1)	(9.2)	8.3	2.0
Net result	8.4	2.7	7.3	8.2	(1.4)	(9.3)	5.0	1.2
Net financial surplus (indebtedness)	24.9		7.8		(2.5)	0.1	30.3	
Shareholders' equity	128.0		27.9		5.5	(45.2)	116.2	
Number of employees at December 31	2,416		767		217	-	3,400	

During the year the Division recorded a decline in **consolidated sales** of 16.6%, achieving € 414.8 million compared to the 497.5 million of 2008, with a greater fall in Europe (-20.8%) than in South America (-8.7%).
The contraction mainly originated from the *original equipment* segment (-27.4%) which, in addition to the aforementioned decreases in production, suffered an unfavourable change in the mix (lower volumes of components for high range and diesel fuelled vehicles). The *aftermarket* segment posted decreased revenues both in the *original equipment spares* (-16.1%) and in the *independent* segment (-8.4%).

Profitability fell due to the reduced volumes of business and the high costs incurred for reorganisation. The **operating profit** was equal to € 22.1 million, down by 48.9% on the 43.2 million of the previous year, with the impact on sales falling from 8.7% to 5.3%.

Divisional **EBITDA** stood at € 27.1 million (6.5% of sales), down by 38.6% compared to the 44 million (8.9% of sales) achieved in the previous twelve month period, and likewise **EBIT**, down to € 9.7 million (2.3% of sales), was equal to 26.6 million (5.3% of sales).

Net profit was equal to € 5 million and compares to 16.6 million in 2008.

At year end the Division's **consolidated shareholders' equity** was equal to € 116.2 million (122.1 million as of December 31, 2008) and the **net financial position** showed a surplus of € 30.3 million, compared to indebtedness of 4.5 million in the previous twelve month period.

As of December 31, 2009 the employees of the Filtration Division totalled 3,400, down by 3.3% on the 3,516 employees of year end 2008.

During the year the necessary investments were made for partial reconversion of the West Virginia (USA) plant from the previous activity in the *suspensions* segment to the production of *filters* for the customer Ford and, from year end 2010, for Fiat-Chrysler vehicles which will use multiair engines. Installations were also completed in the Shanghai plant.

SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

The table below provides the key figures and economic and financial indicators achieved by the Division in 2009 and in the previous three years:

KEY ECONOMIC DATA

(in millions of Euro)	2006	2007	2008	2009	var. '09 vs '08
Sales revenues	491.6	524.6	521.9	368.0	-29.5%
EBITDA	63.4	75.8	64.5	24.0	-62.8%
Operating profit	51.2	58.8	47.5	15.0	-68.4%
Ebit	37.4	50.3	40.2	(0.1)	-100.2%
Net result	24.5	25.5	18.7	(5.3)	-128.4%

KEY FINANCIAL DATA

(in millions of Euro)	2006	2007	2008	2009	var. '09 vs '08
Shareholders' equity	116.2	134.0	134.1	120.4	-10.2%
Net financial position	(111.3)	(89.5)	(89.8)	(63.0)	29.9%

OTHER INDICATORS

	2006	2007	2008	2009	var. '09 vs '08
Number of employees	2,528	2,544	2,558	2,312	-9.6%

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

(in millions of Euro)	CAR AND PRECISION SPRINGS		INDUSTRIAL VEHICLES		Interc. elimin.	TOTAL SUSPENSION DIVISION	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*%*
Sales revenues	313.7	100.0	54.4	100.0	(0.1)	368.0	100.0
Operating profit	8.2	2.6	6.8	12.5	0.0	15.0	4.1
EBIT	(6.8)	(2.2)	6.7	12.3	-	(0.1)	(0.0)
Result before taxes	3.1	1.0	6.8	12.6	(14.8)	(4.9)	(1.3)
Net result	4.9	1.6	4.7	8.6	(14.9)	(5.3)	(1.4)
Net financial surplus (indebtedness)	(72.0)		9.0		-	(63.0)	
Shareholders' equity	121.3		21.2		(22.1)	120.4	
Number of employees at December 31	1,972		340		-	2,312	

The division's 2009 performance in the two main areas in which it operates is analysed in the table below:

(in millions of Euro)	SUSPENSION DIVISION EUROPE		SUSPENSION DIVISION SOUTH AMERICA		Other entities	Interc. elimin.	TOTAL SUSPENSION DIVISION	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*Amount*	*%*
Sales revenues	295.3	100.0	63.7	100.0	12.3	(3.3)	368.0	100.0
Operating result	5.8	2.0	9.6	15.0	(0.4)	0.0	15.0	4.1
EBIT	(6.5)	(2.2)	8.4	13.2	(2.1)	0.1	(0.1)	-
Result before taxes	11.4	3.9	8.0	12.6	(2.4)	(21.9)	(4.9)	(1.3)
Net result	13.2	4.5	6.1	9.6	(2.5)	(22.1)	(5.3)	(1.4)
Net financial surplus (indebtedness)	(59.6)		4.4		(7.8)	-	(63.0)	
Shareholders' equity	145.5		35.3		9.3	(69.7)	120.4	
Number of employees at December 31	1,783		436		93	-	2,312	

The presence in the *industrial vehicles* segment and the absence of significant activity in *aftermarket sector* led to a reduction of the Division's **consolidated sales** which stood at € 368 million compared to the 521.9 million of 2008 (-29.5%). The biggest decline was experienced in the European market (-23.1%) and the North American market, where in July production activity terminated (-46.7%), in industrial vehicles (-51.6%) and precision springs (-37.3%).

For the first time in recent years the raw material *steel* did not experience price increases in the European market and it was substantially possible to avoid reducing of the sales prices. Despite this, the considerable fall in volumes of demand led to a decline in profitability, notwithstanding the drastic cutting of costs.

Consolidated operating profit was equal to € 15 million (4.1% of sales), while it stood at 47.5 million (9.1% of sales) in 2008.

After having incurred costs and provided funds for reorganisations equal to € 8.9 million (1.1 million in the previous year), divisional **consolidated EBITDA** totalled € 24 million (6.5% of sales), comparing with the previous figure of 64.5 million (12.4% of sales). **Consolidated EBIT** was negative by € 0.1 million, comparing with a positive result of 40.2 million in 2008.

During the year the Division posted a **consolidated net loss** of 5.3 million, compared to a positive result of 18.7 million in the previous year.

The damages suffered as result of the fire which broke out in 2008 in the Welsh Clydach plant were fully indemnified by the insurance companies, with the generation of net income of € 1.5 million.

In December negotiations were concluded with the trade union representatives for closure in the early months of 2010 of the French Custines plant, against which a provision of € 3.8 million was made.
In 2009 investments continued for the project to create suspension products in alternative materials to steel. The new composite material components were presented to a number of important European manufacturers, of both cars and industrial vehicles, which confirmed a strong interest in our proposal for

technological evolution.

As of December 31, 2009 the Division’s **net financial position** was confirmed as negative by € 63 million, posting an improvement on the 89.8 million as of December 31, 2008.

At year end the Division’s **consolidated shareholders’ equity** totalled € 120.4 million, it was 134.1 million at the end of the previous year.

During the year the number of employees decreased and as of December 31, 2009 totalled 2,312 compared to the 2,558 employees in the previous twelve month period.

OUTLOOK FOR OPERATIONS

Trends in demand for vehicles in 2010 will be linked to the confirmation, duration and size of government incentives in the various markets, while production levels should benefit from the end of destocking by manufacturers and distributors. The drastic reduction of the Group’s structural costs implemented in 2009 and the forecast growth in business in the emerging markets should in any case lead to improved profitability and a return to net profit.

MANAGEMENT OF THE MAIN BUSINESS RISKS

The following section looks at the main risks and uncertainties that the Group is potentially exposed to in the achievement of its business objectives/operations, together with a description of the ways in which said risks are managed by the Group. To facilitate comprehension, risk factors have been grouped on the basis of their origin into homogeneous risk categories, with distinction between those that arise outside the Group (**external risks)** and those associated with the characteristics and structure of the organisation itself (**internal risks)**.

In terms of **external risks,** first of all, the Group adopts a centralised management approach to **financial risk** (which includes **risks of changes in interest rates** and **exchange rates, risks of changes in raw materials prices, credit risk** and **liquidity risk**), described in further detail in the *Explanatory and Supplementary Notes to the Consolidated Financial Statements* which should be referred to[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 sector, 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 recognotion of manufacturers in low cost countries.

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

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

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, 11 plants in the Filtration Division and 13 in the Suspensions Division are currently certified as complying with the international standard ISO 14001. Some subsidiaries have started to certify their own health and safety system as complying with the OHSAS 18001 standard. The activities carried out in the plants are audited by both experienced internal auditors and external auditors. Particular attention is paid to personnel training in order to consolidate and disseminate a safety culture.

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 the quality policy of their respective division. In correlation with the quality policy, 13 plants in the Filtration Division and 17 in the Suspensions Division are currently certified as complying with the international standard ISO TS 16949. At some plants systems are certified according to the 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.

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

In terms of the set of **risks associated with human resource management,** the Group acknowledges the key role played by its human resources, a strategic partner, and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by its Code of Ethics.
Working relationships are managed and coordinated in full respect of workers' rights and in 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 measured 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 2009 stock option and phantom stock option plans have been allocated to top management positions.

Lastly, with regard to the **risks associated with 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 logical security of systems in terms of the protection of confidential data and information by means of specific units at divisional 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 2008	No. of shares purchased in 2009	No. of shares sold in 2009	No. of shares held at the end of 2009
Carlo De Benedetti	Sogefi S.p.A.	(1) 65,739,962	-	-	65,739,962
Emanuele Bosio	Sogefi S.p.A.	3,165,500	100,000	-	3,265,500
	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	Sogefi S.p.A.	2,012,000	-	-	2,012,000
	Sogefi S.p.A.	(2) 1,004,312	-	-	1,004,312
Franco Girard	Sogefi S.p.A.	10,000	-	-	10,000
Renato Ricci	Sogefi S.p.A.	880,000	-	-	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.	171,024	-	-	171,024
	A.R.A. S.A.	14	10	-	24
	Filtrauto S.A.	2	-	-	2

(1) held indirectly through CIR S.p.A., Via Valeggio, 41 - Torino (Italy) – VAT no. 00519120018

(2)held indirectly through Siria S.r.l., Corso Montevecchio 38, Torino (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 2008” refers to shares held at the date when managers have become relevant people of Sogefi in 2009.

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 to 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 that, 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 and 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

It is reported that the text of the "Annual Report on Corporate Governance" for 2009 was approved at the meeting of the Board of Directors called to approve the financial statements for the year ended December 31, 2009 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 "Investors relations – Corporate Governance" section).

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

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

TREASURY SHARES

As of December 31, 2009, the Holding Company has 1,956,000 treasury shares in its portfolio (purchased in previous years), 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 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, Mantova and its operating offices in Via Flavio Gioia 8, Milano.

The Sogefi stock has been listed on the Milano Stock Exchange since 1986 and has been traded on the STAR segment since January 2004.

This report, which relates to the period January 1 to December 31, 2009, was approved by the Board of Directors on February 23, 2010.

DECLARATIONS AS PER ARTICLES 36 AND 37 OF CONSOB REGULATION 16191 OF OCTOBER 29, 2007

In accordance with the obligations set forth in article 2.6.2., of the 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 related control bodies from foreign subsidiaries based in countries that are not part of the European Union and are of material significance to the Company; the same foreign subsidiaries provide the Company's 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 to the auditors of the Company of the performance and financial data necessary for the preparation of the consolidated financial statements.
Sogefi S.p.A. will also make the financial statements of foreign subsidiaries based in countries that are not part of the EU, that are of material significance to the Company, prepared for the purpose of the consolidated financial statements as of December 31, 2009, 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 Italian 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

The beginning of the year 2010 has recorded production levels that are in line with the end of 2009 and well above those of the first quarter of the previous year.

A slowdown in end customer orders for vehicles in mature markets has been observed to coincide with the suspension or, in some countries, reduction of incentive schemes.
The level of production is expected to be offset by the end of destocking by manufacturers.

The current performance confirms the forecast of a return to profit in 2010.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as of December 31, 2009 that we submit to your approval show net profit of € 33,401,125.70, which we propose to allocate entirely to the "Retained earnings" reserve.

Milano, February 23, 2010

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 statement of financial position;

(b) the heading agrees with the sum of the line items “Trade and other payables”, “Tax payables” and “Other current liabilities” in the consolidated statement of financial position;

(c) the heading agrees with the sum of the line items “Equity investments in associated companies” and “Other financial assets available for sale” in the consolidated statement of financial position;

(d) the heading agrees with the sum of the line items “Total fixed assets”, “Other receivables”, “Deferred tax assets” and “Non-current assets held for sale” in the consolidated statement of financial position;

(e) the heading agrees with the line item "Total other long-term liabilities" in the consolidated statement of financial position;

(f) the heading agrees with the sum of the line items “Net 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 line item “Exchange differences” in the consolidated cash flow statement, excluding exchange differences on medium/long-term financial receivables and payables;

(m) these headings differ from those shown in the consolidated cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.

Notes relating to the Holding Company's Statutory Financial Statements

(n) the heading agrees with “Total working capital” (“Totale attivo circolante operativo”) in the Holding Company's statutory statement of financial position;

(o) the heading agrees with the sum of the line items “Trade and other payables” (“Debiti commerciali e altri debiti”), “Tax payables” (“Debiti per imposte”) and “Other current liabilities” (“Altre passività correnti”) in the Holding Company's statutory statement of financial position;

(p) the heading agrees with the sum of the line items “Equity investments in subsidiaries” (“Partecipazioni in società controllate”), “Equity investments in 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 statement of financial position;

(q) the heading agrees with the sum of the line items “Total fixed assets” (“Totale immobilizzazioni”), “Other receivables” (“Altri crediti”) and “Deferred tax assets” (“Imposte anticipate”) in the Holding Company's statutory statement of financial position;

(r) the heading agrees with the line item "Total other long-term liabilities" (“Totale altre passività a lungo termine”) in the Holding Company's statutory statement of financial position;

(s) the heading agrees with the sum of the line items “Net 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”), “Change in fair value of property investments” (“Variazione fair value investimenti immobiliari”), “Accrual to income statement for fair value of cash flow hedging instruments” (“Accantonamento a conto economico fair value derivati cash flow hedge”), “Accrued costs for stock options” (“Accantonamenti costi per stock options”), “Net change Phantom Stock Options provision” (“Variazione netta fondo Phantom Stock Options”) and “Net change in provision for employment termination indemnities” (“Variazione netta fondo trattamento di fine rapporto”) as well as the change of deferred tax assets/liabilities included in the line “Other assets/liabilities” (“Altre attività/passività”) of the Holding Company's statutory cash flow statement;

(t) the heading 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.

DEFINITION OF THE PERFORMANCE INDICATORS

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

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

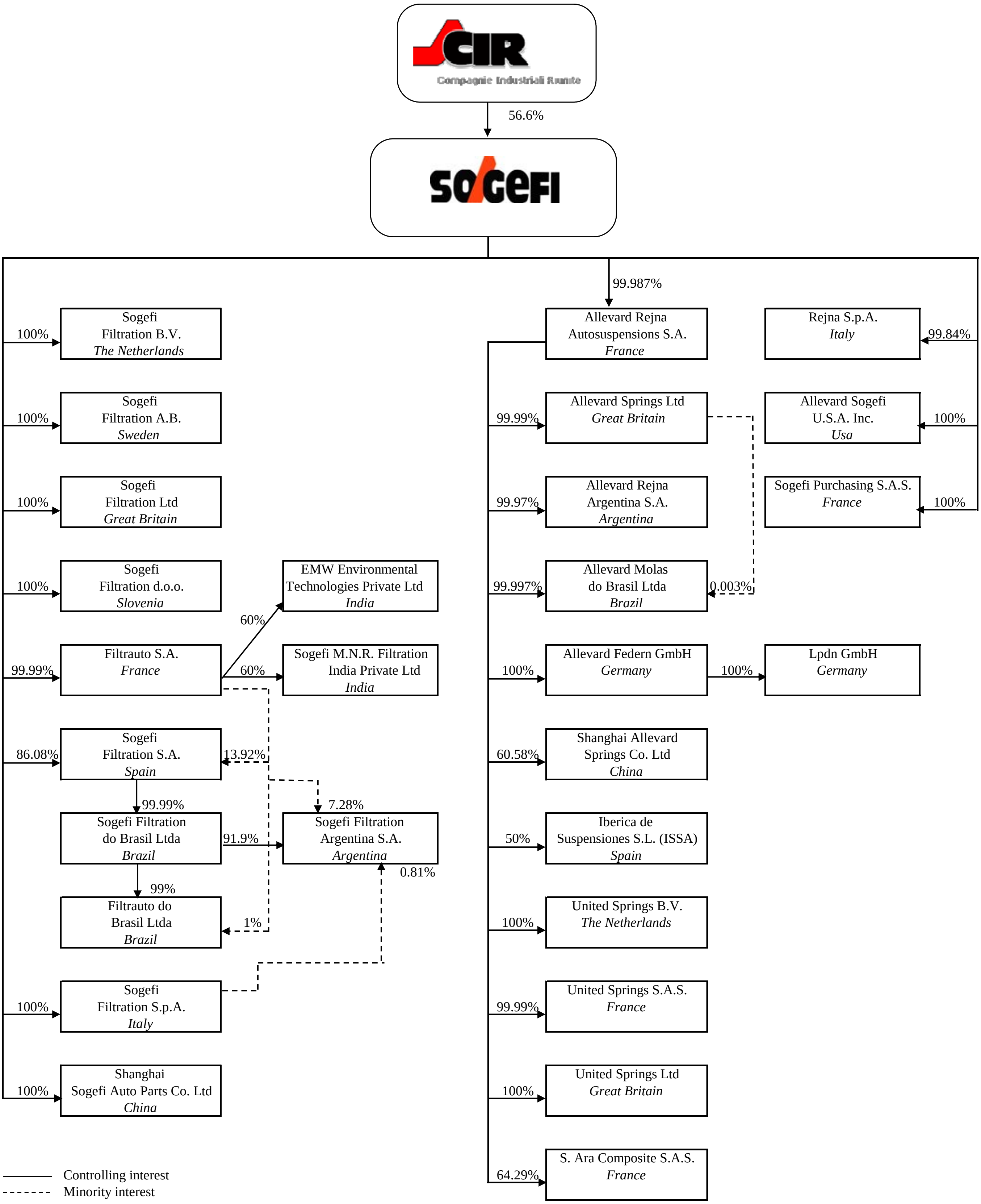
ROI: is calculated as the ratio between "EBIT" relating to the year underway and the average "Net capital invested", as set forth in the table of the consolidated capital structure included in the "Report on Operations", (the average is calculated with reference to the punctual values at the end of the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

EBITDA: is calculated by summing "EBIT" and "Depreciation and Amortisation".

Normalised EBITDA: is calculated by summing "EBITDA" and the expenses and revenues arising from non-ordinary operations, such as the "Restructuring costs" and the write-downs of assets and stocks, relating to the restructuring operations, included in "Other non-operating expenses (income)". As of December 31, 2009 normalised EBITDA also excludes the net income equal to € 1,540 thousand arising from the insurance indemnities mentioned in the "Report on Operations".

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

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2009	12.31.2008
CURRENT ASSETS			
Cash and cash equivalents	*5*	111,583	49,456
Other financial assets	*6*	46	841
Working capital			
Inventories	*7*	85,915	114,492
Trade receivables	*8*	126,549	169,973
Other receivables	*8*	5,545	19,019
Tax receivables	*8*	9,911	14,934
Other assets	*8*	3,055	3,801
TOTAL WORKING CAPITAL		*230,975*	*322,219*
TOTAL CURRENT ASSETS		342,604	372,516
NON-CURRENT ASSETS			
Fixed assets			
Land	*9*	14,175	13,929
Property, plant and equipment	*9*	211,623	218,069
Other tangible fixed assets	*9*	5,731	4,583
Of which: leases		*13,723*	*11,779*
Intangible assets	*10*	131,372	127,255
TOTAL FIXED ASSETS		362,901	363,836
OTHER NON-CURRENT ASSETS			
Equity investments in associated companies	*11*	101	101
Other financial assets available for sale	*12*	472	464
Financial receivables	*13*	68	-
Other receivables	*13*	9,029	8,772
Deferred tax assets	*14-20*	35,001	26,688
TOTAL OTHER NON-CURRENT ASSETS		44,671	36,025
TOTAL NON-CURRENT ASSETS		407,572	399,861
NON-CURRENT ASSETS HELD FOR SALE	*15*	700	653
TOTAL ASSETS		750,876	773,030

LIABILITIES	*Note*	12.31.2009	12.31.2008
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*16*	4,327	19,750
Current portion of medium/long-term financial debts and other loans	*16*	67,378	35,733
Of which: leases		*1,679*	*1,385*
TOTAL SHORT-TERM FINANCIAL DEBTS		71,705	55,483
Other short-term liabilities for derivative financial instruments	*16*	1,023	473
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS		72,728	55,956
Trade and other payables	*17*	199,818	204,094
Tax payables	*17*	2,727	4,181
Other current liabilities	*18*	1,971	1,770
TOTAL CURRENT LIABILITIES		277,244	266,001
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS			
Financial debts to bank	*16*	196,169	238,612
Other medium/long-term financial debts	*16*	10,902	10,723
Of which: leases		*8,034*	*7,206*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS		207,071	249,335
Other medium/long-term financial liabilities for derivative financial instruments	*16*	2,124	2,263
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		209,195	251,598
OTHER LONG-TERM LIABILITIES			
Long-term provisions	*19*	51,033	48,883
Other payables	*19*	382	384
Deferred tax liabilities	*20*	30,847	27,849
TOTAL OTHER LONG-TERM LIABILITIES		82,262	77,116
TOTAL NON-CURRENT LIABILITIES		291,457	328,714
SHAREHOLDERS' EQUITY			
Share capital	*21*	60,397	60,397
Reserves and retained earnings (accumulated losses)	*21*	114,053	72,013
Group net profit (loss) for the year	*21*	(7,639)	28,495
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		166,811	160,905
Minority interests	*21*	15,364	17,410
TOTAL SHAREHOLDERS' EQUITY		182,175	178,315
TOTAL LIABILITIES AND EQUITY		750,876	773,030

CONSOLIDATED INCOME STATEMENT
(in thousands of Euro)

	Note	2009		2008	
		Amount	*%*	*Amount*	*%*
Sales revenues	*23*	780,987	100.0	1,017,458	100.0
Variable cost of sales	*24*	529,832	67.8	681,673	67.0
CONTRIBUTION MARGIN		251,155	32.2	335,785	33.0
Manufacturing and R&D overheads	*25*	90,370	11.6	107,299	10.5
Depreciation and amortization	*26*	42,150	5.4	42,484	4.2
Distribution and sales fixed expenses	*27*	31,059	4.0	35,935	3.5
Administrative and general expenses	*28*	53,891	6.9	62,430	6.2
OPERATING RESULT		33,685	4.3	87,637	8.6
Restructuring costs	*30*	17,162	2.2	11,473	1.1
Losses (gains) on disposal	*31*	1,222	0.2	(15)	-
Exchange losses (gains)	*32*	781	0.1	2,238	0.2
Other non-operating expenses (income)	*33*	9,445	1.2	11,502	1.2
- of which non-recurring		*(11)*		*1,020*	
EBIT		5,075	0.6	62,439	6.1
Financial expenses (income), net	*34*	10,783	1.4	13,988	1.4
Losses (gains) from equity investments	*35*	(75)	(0.1)	218	-
RESULT BEFORE TAXES AND MINORITY INTERESTS		(5,633)	(0.7)	48,233	4.7
Income taxes	*36*	700	0.1	16,793	1.7
NET RESULT BEFORE MINORITY INTERESTS		(6,333)	(0.8)	31,440	3.0
Loss (income) attributable to minority interests		(1,306)	(0.2)	(2,945)	(0.2)
GROUP NET RESULT		(7,639)	(1.0)	28,495	2.8
Earnings per share (EPS) (Euro):	*38*				
Basic		(0.067)		0.250	
Diluted		(0.067)		0.250	

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(in thousands of Euro)

	Note	*2009*	*2008*
Net result before minority interests		(6.333)	31.440
Profit (loss) booked directly to equity			
- Profit (loss) booked to cash flow hedging reserve		(738)	(2.550)
- Profit (loss) booked to fair value reserve for financial assets available for sale		9	(4)
- Tax on items booked directly to equity	*21*	200	702
- Profit (loss) booked to translation reserve		13.231	(21.259)
Profit (loss) booked directly to equity		*12.702*	*(23.111)*
Total comprehensive result for the period		6.369	8.329
Attributable to:			
- Shareholders of the Holding Company		5.117	5.252
- Minority interests		1.252	3.077

CONSOLIDATED CASH FLOW STATEMENT
(in thousands of Euro)

	2009	2008
Cash flows from operating activities		
Net result	(7.639)	28.495
Adjustments:		
- minority interests	1.306	2.945
- depreciation, amortization and writedowns	42.961	47.126
- accrued costs for stock options	533	635
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	1.222	(15)
- losses/(gains) on sale of equity investments in associated companies	-	-
- dividends collected	(75)	(127)
- share of associated companies' pre-tax income	-	-
- provisions for risks, restructuring and deferred taxes	1.996	(4.228)
- post-retirement and other employee benefits	(4.340)	(8.636)
- change in net working capital	85.368	(9.609)
- other medium/long-term assets/liabilities	2.647	2.460
CASH FLOWS FROM OPERATING ACTIVITIES	123.979	59.046
of which: taxes paid	(5.405)	(27.361)
Net interest paid	(10.047)	(14.458)
INVESTING ACTIVITIES		
Net financial position of subsidiaries purchased/sold during the year	-	142
Purchase of property, plant and equipment	(22.557)	(41.082)
Purchase of intangible assets	(11.769)	(14.449)
Net change in other securities	(26)	(4.840)
Sale of subsidiaries (net of cash and cash equivalents) and associated	0	264
Sale of property, plant and equipment	300	257
Sale of intangible assets	20	13
Dividends collected	75	127
NET CASH FLOWS FROM INVESTING ACTIVITIES	(33.957)	(59.568)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	-	981
Net change in capital	-	4.851
Net purchase of treasury shares	-	(1.245)
Dividends paid to Holding Company shareholders and minority interests	(3.000)	(162.529)
New (repayment of) long-term loans	(11.691)	142.167
New (repayment of) finance leases	1.021	(1.109)
Other equity movements	(535)	(2.117)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(14.205)	(19.001)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	75.817	(19.523)
Balance at the beginning of the period	29.706	51.335
(Decrease) increase in cash and cash equivalents	75.817	(19.523)
Exchange differences	1.733	(2.106)
BALANCE AT THE END OF THE PERIOD	107.256	29.706

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 result for the period	Total		
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)	-	-	-
Net purchase of treasury shares	-	(1,245)	-	(1,245)	-	(1,245)
Imputed cost of stock options	-	635	-	635	-	635
Other changes	-	51	-	51	528	579
Comprehensive result for the period						
Fair value measurement of financial assets available for sale	-	(4)	-	(4)	-	(4)
Fair value measurement of cash flow hedging instruments	-	(2,550)	-	(2,550)	-	(2,550)
Tax on items booked directly to equity	-	702	-	702	-	702
Currency translation differences	-	(21,391)	-	(21,391)	132	(21,259)
Net result for the period	-	-	28,495	28,495	2,945	31,440
Total comprehensive result for the period	-	*(23,243)*	*28,495*	*5,252*	*3,077*	*8,329*
Balance at December 31, 2008	*60,397*	*72,013*	*28,495*	*160,905*	*17,410*	*178,315*
Paid share capital increase	-	-	-	-	-	-
Allocation of 2008 net profit:						
Legal reserve	-	140	(140)	-	-	-
Dividends	-	-	-	-	(3,000)	(3,000)
Retained earnings	-	28,355	(28,355)	-	-	-
Imputed cost of stock options	-	533	-	533	-	533
Other changes	-	256	-	256	(298)	(42)
Comprehensive result for the period						
Fair value measurement of financial assets available for sale	-	9	-	9	-	9
Fair value measurement of cash flow hedging instruments	-	(738)	-	(738)	-	(738)
Tax on items booked directly to equity	-	200	-	200	-	200
Currency translation differences	-	13,285	-	13,285	(54)	13,231
Net result for the period	-	-	(7,639)	(7,639)	1,306	(6,333)
Total comprehensive result for the period	-	*12,756*	*(7,639)*	*5,117*	*1,252*	*6,369*
Balance at December 31, 2009	*60,397*	*114,053*	*(7,639)*	*166,811*	*15,364*	*182,175*

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is market leader in the field of components for motor vehicles, specializing in engine and cabin filtration systems and suspension components.
SOGEFI is present in 3 continents and 13 countries, with 51 locations of which 40 are production sites. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

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

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The financial statements have been prepared on the basis of the conventional historical cost principle, excepting for the valuation of financial assets and liabilities, including derivative instruments, in those cases in which the application of the fair value principle is obligatory.

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, 2009 were approved by the Board of Directors on February 23, 2010.

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 statement of financial position
The consolidated statement of financial position is presented in two sections, showing assets on one side and liabilities and equity on the other.
Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.

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 result;
- EBIT (earnings before interest and tax);
- Result before taxes and minority interests;
- Net result before minority interests;
- Net result for the year.

We have maintained the aggregate “Operating result” (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 core business activities (i.e. the activities more closely related to the manufacturing and sales side of the business). Conceptually, this is not the same as EBIT (literally earnings before interest and tax), which is usually stated net of restructuring costs and other expenses that do not form part of normal business operations, or in any case expenses that may be non-recurring.
In other words, by way of example, “Operating result” is not affected by non-recurring costs and revenues (such as restructuring costs, gains or losses on disposals) or by charges or income that are not related to normal business operations, such as tax charges that are the result of different fiscal policies that the various countries adopt for common budgetary purposes by applying a variable mix of direct and indirect taxes (determined mainly according to financial parameters) depending on their own socio-economic characteristics. Similarly, “Operating result” does not include exchange gains and losses as they are considered more a part of foreign exchange management.

For the sake of more effective disclosure, these types of income and charges are shown separately on the 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 statement of comprehensive income
The Consolidated Statement of Comprehensive Income includes all the changes in equity occurring in the year generated by transactions other than those implemented with shareholders. The Group has chosen to present these changes in a separate schedule to the Consolidated Income Statement.
The changes in equity are shown before the related tax effects with the aggregate amount of the income taxes on said variations being recognised in a single item.

Consolidated cash flow statement
A consolidated cash flow statement split by area of formation of the various types of cash flow as indicated in 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 statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statement of financial position are booked to "Exchange differences on assets/liabilities and equity" in the consolidated cash flow statement, whereas in the consolidated cash flow statement required by IAS 7 they are booked to "Exchange differences".

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, 2009 include the Holding Company Sogefi S.p.A. and the subsidiaries over which it has direct or indirect control.
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 otherwise indicated.
The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Holding Company, and of all the Italian and foreign companies in which, directly or indirectly, it holds a majority of the voting rights.

During the year the following change occurred in the scope of consolidation:
- in September the subsidiary Allevard Rejna Autosupensions S.A. increased its shareholding in the subsidiary S.ARA Composite S.a.S. from 50% to 64.29%, through a share capital increase of € 800 thousand.

It should be noted that the consolidated income statement as of December 31, 2009 includes for the first time figures regarding the Indian subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd, while the assets and liabilities of the same were already consolidated in the statement of financial position at December 31, 2008.

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

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

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

2.1 Consolidation principles

The financial statements as of December 31, 2009 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.

All the companies over which the Group has the direct or indirect power to determine the financial and management policies are considered subsidiary companies.
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 using the purchase method. 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.

All intercompany balances and transactions, including unrealized profits deriving from transactions between consolidated companies, are eliminated. Unrealized losses are eliminated, unless they cannot be recovered in the future.

The financial statements of the subsidiary companies are drawn up using the currency of the primary economic environment in which they operate (“functional currency”). The consolidated financial statements are presented in Euro, the functional currency of the Holding Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:

- The items of the consolidated statement of financial position are translated into Euro at the year-end exchange rates, taking account of any hedging transactions.
- Income statement items are translated into Euro at the average exchange rates for the year.
- Differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between the income statement and financial result.
- 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.

The following exchange rates have been used for translation purposes:

	2009		2008	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.3897	1.4406	1.4635	1.3917
Pound sterling	0.8906	0.8881	0.7948	0.9525
Swedish krona	10.6112	10.2522	9.6006	10.8696
Brazilian real	2.7598	2.5113	2.6583	3.2436
Argentine peso	5.1677	5.4618	4.6296	4.8045
Chinese renminbi	9.4931	9.8348	10.1616	9.4958
Indian rupee	67.2495	67.0241	63.7349	67.6133

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.
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.

2.2 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2009.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and sight deposits at banks, as well as investments with maturities equal to or 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 the fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realizable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortized cost, which generally corresponds to their nominal value.
Receivables assigned through non recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer.

Tangible fixed assets

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

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

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

The annual average depreciation rates applied are as follows:

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

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

Ordinary maintenance costs are charged to the income statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as an increase in the value of the assets to which they refer and depreciated over their residual useful lives.

Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the income statement for the period.

Grants are shown in the statement of financial position as an adjustment of the book value of the asset concerned. Grants are then 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 at the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the lease, that it will be exercised;
- The 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 statement of financial position as financial debts. The assets are depreciated over their estimated useful lives.

Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the income statement for the period.
Payments under operating lease contracts, on the other hand, are charged to the income statement on a straight-line basis over the life of the contract.

Intangible assets

An intangible asset is only 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, licences, trademarks	20-33
Other	20-33
Goodwill	n.a.
Assets under construction	n.a.

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

Research and development expenses
Research expenses are charged to the income statement as incurred in accordance with IAS 38.
Development expenses relating to specific projects are capitalized when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortized over the entire period of future profits expected to be earned by the project in question.
The capitalized value of the various projects 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 statement of financial position 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 identifiable net values of the 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 the 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 writedown had never been made. This reversal is also booked to the income statement.

Equity investments in associated companies

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 this 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. From the date they are classified as non-current assets held for sale, their depreciation is 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 required 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 statement of financial position at cost as this represents their fair value. Subsequently, all derivatives are measured at fair value.

Any changes in the fair value of derivatives that are not designated as hedges are booked to the income statement (under the item “Financial expenses (income), net”).

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 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 hedge 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 (under the item “Financial expenses (income), net”).
The portion booked to equity will be reclassified to the income statement (under the item “Financial expenses (income), net”) in the period when the 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 their nominal value.

Long-term provisions

Provisions for risks and charges
Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources 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 statement of financial position 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 end of the reporting period. Any excess is amortized over the average residual working life of the pension plan participants.

Phantom stock options
With regard to phantom stock option plans, as envisaged by IFRS 2, in the section regarding "Cash-settled share-based payment transactions", the fair value of the plan at the date of the financial statements is 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
Ordinary shares are entered as share capital and 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 payments”, the Group calculates the fair value of the option at the time of its award, booking it to the income statement as a cost over the vesting period of the benefit. Given that this is an eminently imputed element, the *ad hoc* equity reserve in the statement of financial position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Revenue recognition

Revenues from the sale of products are recognized at the time ownership passes, which is generally upon 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 all 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 essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses

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

Operating grants

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

Restructuring costs and other non-operating expenses/income

These are figures that do not relate to the Group's normal business activities or refer to non-recurring activities and 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 payable to shareholders immediately after they have been approved.

Current taxes

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

Earnings per share (EPS)

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

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

Translation of foreign currency items

Functional currency
Group companies prepare their financial statements in the local currency of the country concerned.
The 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 end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period, but given their nature, they could lead to a material difference in statement of financial position 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

Where applicable, in 2009 the Group adopted new Standards, Interpretations and Revisions of previously published standards ("new accounting standards"). The contents and the effects of application of the new accounting standards on the Group's consolidated financial statements are set forth below:

- IAS 1 (revised) – *Presentation of financial statements.* The revised version of the standard requires that all changes to equity resulting from transactions other than those performed with shareholders must be stated in a single income statement schedule or in a separate schedule. The principle was applied retrospectively from January 1, 2009. The Group opted to show all the changes generated by transactions with non-shareholders in two schedules measuring performance in the period, respectively named Income Statement and Statement of Comprehensive Income.

- IAS 23 (revised) – *Borrowing costs.* The revised standard eliminates the option of capitalising financial expenses (principle applied by the Group up to December 31, 2009). Starting from January 1, 2009 it is mandatory to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a goods that can qualify as "assets" in the cases in which a substantial period of time is required for the asset to get ready for its intended use or sale. As of December 31, 2009 this revision has not had a material effect on the Group's consolidated financial statements.

- IFRS 2 (revised) – *Share-based payment – Vesting conditions and cancellations* The revision establishes which conditions may be considered as plan vesting conditions. This revision is not significant to the Group.

- IFRS 8 – *Operating segments*. This standard replaces IAS 14 (Segment Reporting) and introduces a new approach, according to which segments have to be identified in the same way as for the purposes of internal reporting to top management. The adoption of this standard has not had any significant impact on the information provided by the Group.

- IFRS 7 (revised) – *Financial instruments.* The revision requires that more information is provided on measurements of the fair value and on the liquidity risk involved in financial instruments. The adoption of this standard has not had any significant impact on the information provided by the Group.

Other standards, interpretations and revisions of existing standards have also been issued and are applicable from January 1, 2009, but as they govern situations and circumstances that are not found within the Group they are therefore not applicable.

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:

- IAS 27 (revised) – *Consolidated and separate financial statements.* This specifies the circumstances in which a Company is obliged to draw up consolidated financial statements, to ensure that holding companies record changes in the interests held in subsidiaries and that losses of a subsidiary are distributed between majority and minority interests. The new standard also requires that any residual investment held in a former subsidiary at the date control is lost must be measured at fair value.

- IFRS 1 (revised) – *First-time adoption.* This governs the valuation and reporting procedures that entities must follow when they adopt IFRS standards for the first time.

- IFRS 3 (revised) – *Business combinations.* This introduces a series of amendments to accounting principles for Business combinations. One of the most important changes requires that transactions costs relating to business combinations are expensed as incurred and capitalised within the item Goodwill in accordance with the previous standard.

- IFRIC 12 – *Service concession arrangements.* This introduces amendments to the accounting treatment of activities governed by concession arrangements.

- IFRIC 17 – *Distribution of non-cash assets to owners.* The interpretation defines the procedures and times for recognition of dividends not represented by cash.

- IFRIC 18 – *Transfer of assets from customers.* This concerns the procedures for recording assets received from customers, i.e. cash, for connection to a distribution network.

- Amendments to IFRIC 9 and to IAS 39. These propose an accounting treatment for the derivative financial instruments embedded in other contracts at the time of reclassification of the “hybrid” assets from the “fair value booked to income statement” category to another category.

- Amendment to IAS 32 – *Classification of rights issues.* This governs the accounting treatment of some types of rights when the instruments issued against said rights are denominated in a currency other than that of the issuer.

It is not deemed that application of the aforesaid standards will have a significant impact on the Group’s financial statements, with the exception of IFRS 3 (revised) and only if the Group will finalise new acquisitions.

3. FINANCIAL ASSETS

Classification and initial recognition

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.

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

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

Financial assets at fair value through profit 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 hedging instruments, and their fair value is booked 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 from the end of the reporting period.

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

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

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and in which the Group does not intend to trade.
They are included in current assets except for the portion falling due beyond 12 months from the end of the reporting period, which is classified as non-current.

Available-for-sale financial assets
This is a residual category represented by non-derivative financial assets that are designated as available for sale and which have not been assigned to one of the previous categories.
They are classified as non-current assets, unless management intends to dispose of them within 12 months from the end of the reporting period.

Subsequent measurement

"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.
"Available-for-sale financial assets" are valued at fair value unless a market price or fair value cannot be determined. In this case the cost method is adopted.
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 informed and independent 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 at the end of the reporting period.
In cases where no market valuation is available for an investment, fair value is determined either on the basis of the current market value of another very similar financial instrument or by using appropriate financial techniques (such as DCF analysis).
Purchases or sales regulated at "market prices" are recognized on the day of trading, which is the day on which the Group makes a commitment to buy or sell the asset.
In situations where the fair value cannot be determined reliably, the financial asset is carried 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" 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. OPERATING SEGMENTS

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

Business segments
With regard to the business segments, information concerning the two Divisions – Filtration and Suspension Components – is provided, in addition to information on the Holding Company Sogefi S.p.A. and the subsidiary Sogefi Purchasing S.a.S..

The tables below provide the Group's income statement and statement of financial position figures for 2008 and 2009:

(in thousands of Euro)	2008				
	Filtration Division	Suspension Components Division	Sogefi SpA / Sogefi Purch. SaS	Adjust-ments	Sogefi consolida-tion
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	(4,001)	(269)	62,439
Financial expenses, net					(13,988)
Income from equity investments					127
Losses from equity investments					(345)
Result before taxes					48,233
Income taxes					(16,793)
Loss (profit) attributable to minority interests					(2,945)
NET RESULT					28,495
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	304,993	423,261	417,892	(468,890)	677,256
Equity investments in associated companies	-	101	-	-	101
Unallocated assets	-	-	-	95,673	95,673
TOTAL ASSETS	304,993	423,362	417,892	(373,217)	773,030
LIABILITIES					
Segment liabilities	182,106	272,711	300,868	(160,971)	594,714
TOTAL LIABILITIES	182,106	272,711	300,868	(160,971)	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

(in thousands of Euro)	2009				
	Filtration Division	Suspension Components Division	Sogefi SpA / Sogefi Purch. SaS	Adjust-ments	Sogefi consolida-tion
REVENUES					
Sales to third parties	413,845	367,142	-	-	780,987
Intersegment sales	966	902	14,130	(15,998)	-
TOTAL REVENUES	414,811	368,044	14,130	(15,998)	780,987
RESULTS					
EBIT	9,687	(97)	(4,254)	(261)	5,075
Financial expenses, net					(10,783)
Income from equity investments					75
Losses from equity investments					-
Result before taxes					(5,633)
Income taxes					(700)
Loss (profit) attributable to minority interests					(1,306)
NET RESULT					(7,639)
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	295,006	392,153	477,000	(508,805)	655,354
Equity investments in associated companies	-	101	-	-	101
Unallocated assets	-	-	-	95,421	95,421
TOTAL ASSETS	295,006	392,254	477,000	(413,384)	750,876
LIABILITIES					
Segment liabilities	177,747	257,560	327,017	(193,623)	568,701
TOTAL LIABILITIES	177,747	257,560	327,017	(193,623)	568,701
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	16,242	17,443	645	(4)	34,326
Depreciation, amortization and writedowns	17,376	24,906	418	261	42,961

The adjustments to "Total revenues" mainly refer to services provided by Sogefi S.p.A. and the subsidiary Sogefi Purchasing S.a.S. to other Group companies. This item also includes sales between the Filtration and Suspension Components Divisions.
The adjustments to "EBIT" mainly refer to depreciation on the fixed asset revaluations resulting from the acquisition of 40% of Sogefi Filtration S.p.A. and its subsidiaries in the year 2000.

In the statement of financial position, the adjustments to "Segment assets" refer to the reversal of equity investments and intercompany receivables.
The adjustments to "Unallocated Assets" mainly include the goodwill and revaluations of assets resulting from the acquisitions of: the Allevard Ressorts Automobile group, 40% of Sogefi Filtration S.p.A., the Filtrauto group and 60% of Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

It is specified that “non-current assets held for sale” (€ 700 thousand as of December 31, 2009) refer to the “Suspension Components Division”.

Geographical areas

The following tables provide a breakdown of the Group's income statement and statement of financial position figures by geographical area "of origin" for the years 2008 and 2009, 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)	2008				
	Europe	South America	Other	Adjust-ments	Sogefi consolida-tion
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
STATEMENT OF FINANCIAL POSITION					
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

(in thousands of Euro)	2009				
	Europe	South America	Other	Adjust-ments	Sogefi consolida-tion
REVENUES					
Sales to third parties	606,972	152,635	21,380	-	780,987
Intersegment sales	20,759	679	547	(21,985)	-
TOTAL REVENUES	627,731	153,314	21,927	(21,985)	780,987
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Segment assets	1,144,594	99,287	40,871	(629,398)	655,354
Equity investments in associated companies	101	-	-	-	101
Unallocated assets	-	-	-	95,421	95,421
TOTAL ASSETS	1,144,695	99,287	40,871	(533,977)	750,876
OTHER INFORMATION					
Increase in tangible and intangible fixed assets	26,689	5,852	5,146	(3,361)	34,326
Depreciation, amortization and writedowns	31,843	5,205	1,757	4,156	42,961

Information on key customers

It is reported that as of December 31, 2009 revenues generated from third party customers for a value exceeding 10% of Group revenues refer to: Renault/Nissan (12.3% of total revenues), PSA (12% of total revenues) and Ford/Volvo (10.4% of total revenues).

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

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to € 111,583 thousand versus € 49,456 thousand as of December 31, 2008 and break down as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Short-term cash investments	111,371	49,305
Cheques	142	66
Cash and cash equivalents on hand	70	85
TOTAL	111,583	49,456

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

The increase in "Short-term cash investments" (to be read in association with the decrease in the liability item "Bank overdrafts and short-term loans") mainly benefits from the collection, at the end of the year, of trade receivables for approximately € 30.4 million arising from factoring transactions and from collection of the insurance recovery of € 18.5 million (of which € 13 million entered as receivable at the end of the previous year) for the fire which destroyed the Welsh suspension plant in Clydach in July 2008. For further details, please refer to the Analysis of the Net Financial Position in Note 22 and to the Consolidated Cash Flow Statement included in the accounting schedules.

As of December 31, 2009 the Group has unutilized lines of credit of € 199,594 thousand. All of the conditions are respected, which means that these funds are available for use on demand.

6. OTHER FINANCIAL ASSETS

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

(in thousands of Euro)	12.31.2009	12.31.2008
Securities held for trading	21	17
Assets for derivative financial instruments	25	780
Due from financial institutions and others	-	44
TOTAL	46	841

"Securities held for trading" are valued at fair value based on official sources at the time the financial statements are drawn up. They represent readily marketable securities which are used by the companies to optimise cash management.
"Assets for derivative financial instruments" total € 25 thousand and refer to the fair value of the forward forex contracts. The decrease in the item is linked to the trends in exchange rates at year end. Further details can be found in the analysis of financial instruments contained in note 39.

7. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	12.31.2009			12.31.2008		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	36,106	4,623	31,483	48,256	4,024	44,232
Work in progress and semi-finished products	10,617	305	10,312	13,481	334	13,147
Contract work in progress and advances	3,636	-	3,636	3,042	-	3,042
Finished goods and goods for resale	47,797	7,313	40,484	61,388	7,317	54,071
TOTAL	98,156	12,241	85,915	126,167	11,675	114,492

The fall in the gross value of inventories reflects the Group’s ability to adjust stock to lower production levels. The value of stock on hand has also been affected by the reduction of purchase costs of some classes of raw materials recorded in 2009.
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 increase in the provisions is linked to the further accrual of € 1,815 thousand (recorded in the income statement under the item “Variable cost of sales”) and to a positive exchange effect of € 185 thousand, partly offset by the scrapping in the year of products on hand for € 1,434 thousand.

Inventories are encumbered by mortgages and bank guarantees totalling € 733 thousand to secure loans obtained by the subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Trade receivables	127,935	170,887
Less: allowance for doubtful accounts	5,752	5,871
Trade receivables, net	122,183	165,016
Due from Parent Company	4,307	4,885
Due from associated companies	59	72
Tax receivables	9,911	14,934
Other receivables	5,545	19,019
Other assets	3,055	3,801
TOTAL	145,060	207,727

“Trade receivables, net” are non-interest bearing and have an average due date of 50 days, against 68 days recorded at the end of the previous year.

It should be noted that as of December 31, 2009, the Group factored trade receivables for € 30,373 thousand. The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised in the statement of financial position for an amount corresponding to the amount received from the factoring company.

If we exclude the factoring transactions (€ 30,373 thousand) and the appreciation of receivables due to the exchange rate effect (€ 3,513 thousand), trade receivables record a decrease of € 15,973 thousand arising from a reduction of the average collection times from customers in the French subsidiaries and from an improvement in the quality of receivables highlighted by the reduction in amounts past due at the end of the year (further information can be found in the analysis of the Credit Risk contained in note 39).

Further adjustments were booked to the "Allowance for doubtful accounts" during the year for a total of € 785 thousand, against net utilizations of the allowance of € 1,011 thousand (see note 39 for further details). Writedowns, net of provisions not used during the period, were charged to the income statement under the item "Variable cost of sales – Variable sales and distribution costs".

"Due from Parent Company" as of December 31, 2009 is the amount receivable from the Parent Company CIR S.p.A. arising from the Group tax filing system.
See chapter F for the terms and conditions governing these receivables.

"Tax receivables" as of December 31, 2009 include tax credits due to Group companies by the tax authorities of the various countries. It does not include deferred taxes which are treated separately.
The reduction in the item compared to the previous year is due to the decrease in VAT credit and to the recovery of advances for direct taxes paid during 2008.

"Other receivables" are made up as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Amounts due from social security institutions	793	375
Amounts due from employees	340	311
Advances to suppliers	366	388
Due from others	4,046	17,945
TOTAL	5,545	19,019

The increase in the item "Amounts due from social security institutions" mainly relates to the receivable due to the subsidiary LPDN GmbH from social security institutions for employees on redundancy benefits.

The decrease in the item "Due from others" is mainly the result of collection of the insurance indemnity of € 12,973 thousand by the subsidiary Allevard Springs Ltd at the end of the previous year, as mentioned above.

The item "Other assets" essentially includes accrued income and prepayments on royalties, insurance premiums, indirect taxes on buildings and on costs incurred for sales activities.
The decrease in the item is mainly due to recognition in the income statement of the proportionate share of the costs incurred last year by the subsidiary Filtrauto S.A. for a new four-year distribution contract entered into with the customer Autodistribution International.

9. TANGIBLE FIXED ASSETS

The net value of tangible fixed assets as of December 31, 2009 amounted to € 231,529 thousand versus € 236,581 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2009				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	13,929	189,550	4,583	28,519	236,581
Additions of the period	-	11,542	2,326	8,689	22,557
Disposals during the period	-	(893)	(40)	(589)	(1,522)
Exchange differences	246	6,848	32	1,019	8,145
Depreciation for the period	-	(32,081)	(1,571)	-	(33,652)
Writedowns/revaluations during the period	-	(475)	-	-	(475)
Other changes	-	14,378	401	(14,884)	(105)
Balance at December 31	14,175	188,869	5,731	22,754	231,529
Historical cost	14,175	713,873	27,923	22,754	778,725
of which: leases - gross value	*1,158*	*17,241*	-	-	*18,399*
Accumulated depreciation	-	525,004	22,192	-	547,196
of which: leases - accumulated depreciation	-	*4,676*	-	-	*4,676*
Net value	14,175	188,869	5,731	22,754	231,529
Net value - leases	*1,158*	*12,565*	-	-	*13,723*

(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	-	(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*

Investments during the year amounted to € 22,557 thousand compared with € 41,082 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.

In the "Buildings, plant and machinery, commercial and industrial equipment" category the main investments are reported in the subsidiary Allevard Rejna Autosuspensions S.A. for converting production lines of stabiliser bars to cold technology, in the subsidiary Shanghai Sogefi Auto Parts Co. Ltd for the new stabiliser bar production line, in the subsidiary ISSA S.L. for automation and rationalisation of the production layout, in the subsidiary S.ARA Composites S.A.S. for development of a spring prototypes line in composite material and in the subsidiary Allevard Sogefi U.S.A. Inc. for converting the plant to filter production.
Numerous other smaller investments were made during the year, which focused on upgrading production plants and production layout and developing new products.

The most important projects in the "Assets under construction and payments on account" category include investments in the subsidiary Sogefi Filtration Ltd for internal development of new technologies and optimisation of machinery transferred from the Mantova plant, in the subsidiary Allevard Molas do Brasil Ltda for a new line of stabiliser bars manufactured using the cold process, for increasing production capacity and improving production layout, in the subsidiaries Filtrauto S.A. and Allevard Rejna Autosuspension S.A. for development of the equipment required for manufacture of new products and in the subsidiary Allevard Sogefi U.S.A. Inc. for the reasons mentioned earlier.

“Disposals during the period” mainly refer to the disposal of machinery no longer used by the subsidiary Rejna S.p.A..

The item “Writedowns/revaluations during the period” totals € 475 thousand and refers to the writedowns of plant, machinery and equipment posted by the subsidiaries Allevard Sogefi U.S.A. Inc., following the closure of the suspension activity, and Allevard Rejna Autosuspensions S.A. as part of the restructuring operations underway.

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

The balance of “Assets under construction and payments on account” as of December 31, 2009 includes € 37 thousand in advances for investments.

The main idle assets, with a total net value of € 7,300 thousand, included in the item “Tangible fixed assets” refer to:
- an industrial building of the subsidiary Rejna S.p.A. located in Melfi;
- an industrial building, with adjoining land, of the Holding Company Sogefi S.p.A. located in Mantova;
- a property complex of the Holding Company Sogefi S.p.A. located in San Felice del Benaco.

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

“Depreciation for the period” has been recorded in the appropriate item in the income statement.

Guarantees
As of December 31, 2009 tangible fixed assets are encumbered by mortgages or liens granted to banks to secure loans obtained for € 824 thousand, compared to the € 640 thousand as of December 31, 2008. Guarantees outstanding as of December 31, 2009 refer to the subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

Purchase commitments
As of December 31, 2009 there are binding commitments to buy tangible fixed assets for € 746 thousand (€ 1,868 thousand as of December 31, 2008).

Leases
The book value of assets under finance leases as of December 31, 2009 was € 18,399 thousand, and the related accumulated depreciation amounted to € 4,676 thousand. It should be noted that during the year, the subsidiary Allevard Sogefi USA Inc. entered into two new finance lease agreements for a total of USD 3,497 thousand.
The financial aspects of the lease payments and their due dates are explained in note 16.

10. INTANGIBLE ASSETS

The net balance as of December 31, 2009 was € 131,372 thousand versus € 127,255 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2009				
	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	21,977	3,147	8,060	94,071	127,255
Additions of the period	6,576	642	4,551	-	11,769
Disposals during the period	(10)	(10)	-	-	(20)
Exchange differences	1,150	(22)	64	-	1,192
Amortization for the period	(6,952)	(1,103)	(443)	-	(8,498)
Writedowns during the period	(328)	(8)	-	-	(336)
Other changes	2,786	3,298	(6,082)	8	10
Balance at December 31	25,199	5,944	6,150	94,079	131,372
Historical cost	67,667	19,258	9,349	116,977	213,251
Accumulated amortization	42,468	13,314	3,199	22,898	81,879
Net value	25,199	5,944	6,150	94,079	131,372

(in thousands of Euro)	2008				
	Develop-ment 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	(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 € 11,769 thousand compared to € 17,854 thousand in the previous year.

The increases in “Development Costs” refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers.

The increase in the item “Industrial patents and intellectual property rights, concessions, licences and trademarks” mainly refers to implementation and use of the new ERP system currently being developed in the Suspensions Division.

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 € 1.3 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 the item “Goodwill” (included in the line “Other changes”) refers to the adjustment of the purchase cost of the subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd which occurred in 2009. It is specified that completion of the fair value analysis of the acquired assets and liabilities of the Indian subsidiaries did not lead to adjustments to the provisional allocation, made at the end of 2008, of the difference between the purchase cost and the Group’s shares of the entities’ equity.

The line “Writedowns during the period” refers to the writedowns posted by the subsidiary Allevard Sogefi U.S.A. Inc. following the closure of the suspension activity.

“Development costs” principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks” consist of factors that are largely acquired externally.
“Other, assets under construction and payments on account” include around € 3,321 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 € 77,031 thousand, with € 17,048 thousand being allocated to Car Suspension Components Division.

Impairments tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with the value in use, given by the present value of the estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
We used the method that involves discounting unlevered cash flows, based on projections drawn up in budgets/long-term plans for the period 2010-2013, approved by management and in line with forecasts for the automotive segment as estimated from the segment’s most important sources, and on a discounting rate of 8%, which reflects the weighted average cost of capital.

The 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 2013), adjusted to project a stable situation “in perpetuity”, 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);
- Zero change in working capital (assuming in effect that the benefits of the working capital reduction plan that the Group is currently implementing will run out in the medium-term).

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

- Financial structure of the industry: 38.8%
- Unlevered beta of the industry: 0.79
- Risk free rate: 4.1%
- Risk premium: 5%
- Spread: 1%

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

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 income statement, so no writedown has been posted.

11. EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

As of December 31, 2009 these total € 101 thousand (unchanged compared to the figure as of December 31, 2008) and refer to the associated company Allevard Ressorts Composite S.a.S..

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

(in thousands of Euro)	12.31.2009	12.31.2008
Total assets	866	1,048
Total liabilities	381	420
Total revenues	1,397	2,572
Net profit for the year	6	106

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

12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2009 these totalled € 472 thousand, compared with € 464 thousand as of December 31, 2008, and break down as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Equity investments in other companies	441	442
Other securities	31	22
TOTAL	472	464

The balance of “Equity investments in other companies” essentially refers to the company AFICO FILTERS S.A.E..

The item "Other securities" includes units of SBI funds (State Bank of India) held by the subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

13. FINANCIAL RECEIVABLES AND OTHER RECEIVABLES

The item "Financial receivables" totals € 68 thousand and mainly refers to the non-current portion of the fair value of interest risk hedging contracts.

"Other receivables" break down as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Substitute tax	576	576
Pension fund surplus	6,926	4,048
Other receivables	1,527	4,148
TOTAL	9,029	8,772

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

The "Pension fund surplus" refers to the subsidiaries Sogefi Filtration Ltd (€ 6,822 thousand) and Sogefi Filtration B.V. (€ 104 thousand), as described in note 19 to which reference is made. The increase in this item is due to contributions paid in 2009.

The item "Other receivables" mainly includes tax credits, including on purchases of assets made by the Brazilian subsidiaries, and non-interest bearing guarantee deposits for leased properties. These receivables will be collected over the coming years. The reduction in the item is due for € 1,459 thousand to the reclassification under the item "Deferred tax assets" of the tax effect arising from the losses recorded in the previous year by the subsidiary Sogefi Filtration S.A., for GBP 500 thousand to the collection of the grants towards investments by the subsidiary Sogefi Filtration Ltd and for € 421 thousand to the collection of tax receivables for tax losses of previous years by the subsidiary Allevard Rejna Autosuspensions S.A..

14. DEFERRED TAX ASSETS

As of December 31, 2009 this item amounted to € 35,001 thousand compared with € 26,688 thousand as of December 31, 2008.
This amount relates to the expected benefits 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 € 700 thousand of the building of the UK subsidiary, United Springs Ltd, held for sale.

C 2) LIABILITIES AND EQUITY

16. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	12.31.2009	12.31.2008
Bank overdrafts and short-term loans	4,327	19,750
Current portion of medium/long-term financial debts	67,378	35,733
of which: leases	*1,679*	*1,385*
TOTAL SHORT-TERM FINANCIAL DEBTS	71,705	55,483
Other short-term liabilities for derivative financial instruments	1,023	473
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	72,728	55,956

Non-current portion

(in thousands of Euro)	12.31.2009	12.31.2008
Financial debts to banks	196,169	238,612
Other medium/long-term financial debts	10,902	10,723
of which: leases	*8,034*	*7,206*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	207,071	249,335
Other medium/long-term financial liabilities for derivative financial instruments	2,124	2,263
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	209,195	251,598

Bank overdrafts and short-term loans

The decrease in this item must be interpreted in conjunction with the increase in the asset item “Cash and cash equivalents”, which the reader should refer to.

Current portion of medium/long-term financial debts

As of December 31, 2009, this item principally includes the following loans:

- The current portion equal to € 20 million, repaid in February 2010, of the syndicated loan entered into by the Holding Company Sogefi S.p.A. in 2008 for a total of € 160 million and used as of December 31, 2009 for an amount of € 120 million. The loan expires in June 2013 and has a floating interest rate corresponding to Euribor plus a spread of 50 basis points. The spread actually applied at the end of 2009 corresponded to 105 basis points;
- The current portion of € 22.2 million of a € 100 million loan obtained by the Holding Company Sogefi S.p.A. in 2006 (the residual amount as of December 31, 2009 was € 88.3 million). The loan expires in September 2013 and has a floating interest rate corresponding to the Euribor plus a spread of 70 basis points. The spread actually applied at the end of 2009 corresponded to 150 basis points. The loan is not secured against any of the company's assets;

- The current portion of € 11.1 million of a loan obtained by the Holding Company Sogefi S.p.A. in 2006 for an original amount of € 50 million (the residual amount as of December 31, 2009 was € 41.5 million). The loan expires in September 2013 and has a floating interest rate corresponding to the Euribor plus a spread of 60 basis points. The spread actually applied at the end of 2009 corresponded to 100 basis points. The loan is not secured against any of the company's assets;
- The current portion of € 6.7 million of the loan obtained by the subsidiary Allevard Federn GmbH for an original amount of € 30 million (the residual amount as of December 31, 2009 was € 6.7 million), repayable in yearly instalments ending in December 2010. This loan has a floating interest rate corresponding to the Euribor plus a spread of 70 basis points. The loan is not secured against any of the subsidiary's assets;
- The current portion of € 1 million of the loan obtained by the subsidiary Sogefi Filtration S.A. for an original amount of € 8 million (the residual amount as of December 31, 2009 was € 1 million), repayable in six-monthly instalments ending in January 2010. This loan has a floating interest rate corresponding to the 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 payments in accordance with IAS 17.

Other short-term liabilities for derivative financial instruments

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

Medium/long-term financial debts

This includes:
- The medium-long term portion of € 99.6 million of the syndicated loan obtained by the Holding Company Sogefi S.p.A. in 2008 for a total of € 160 million;
- The medium-long term portion of € 66.1 million of the € 100 million loan obtained by the Holding Company Sogefi S.p.A. in 2006;
- The medium-long term portion of € 30.4 million of the € 50 million loan obtained by the Holding Company Sogefi S.p.A. in 2006.

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

On June 30, 2009 an agreement was finalised with Intesa SanPaolo S.p.A. to amend the conditions set forth in the € 50 million loan contract signed with the aforesaid bank on September 8, 2006.
The changes agreed to the loan are as follows.
On payment of a commission of € 125 thousand and an increase of the spreads, with reference to the measurement of the covenants of June 30, 2009 and December 31, 2009, the maximum consolidated net financial position/consolidated EBITDA ratio has been increased, and for the purposes of calculating EBITDA, costs resulting from non-ordinary operations will be excluded for the entire duration of the loan.
On November 11, 2009 an agreement was finalised with Unicredit to amend the calculation of the covenants prescribed in the € 100 million loan contract.
On payment of a commission of € 445 thousand and an increase of the spreads, it is agreed that for the purposes of calculating EBITDA, costs (for a yearly maximum

amount of € 25 million) resulting from non-ordinary operations will be excluded for the entire duration of the loan. A six-month remedy period has also been introduced in the event that the limit of the NFP/EBITDA=4 ratio is exceeded.

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

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

Other medium/long-term financial liabilities for derivative financial instruments
The item includes the medium/long-term portion of the fair value of the interest risk hedging contracts.

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 finance 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	2,125	1,679
Between 1 and 5 years	6,153	4,752
Beyond 5 years	4,494	3,282
Total lease payments	12,772	9,713
Interests	(3,059)	-
TOTAL PRESENT VALUE OF LEASE PAYMENTS	9,713	9,713

The contracts included in this item refer to 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 payments not yet due amount to GBP 4,615 thousand and the annual nominal rate of interest applied by the lessor is 11.8%.
The Group has not given any sureties for this contract.
This contract, which is a pure rental agreement, has been given the accounting treatment foreseen under 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. The contract expires in October 2014 and the original total amount of the contract was € 6,575 thousand, whereas future payments not yet due amount to € 3,234 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 60 basis points. The Group has not given any sureties for this contract.
b) Fronville. The contract expires in June 2012 and the original total amount of the contract was € 6,412 thousand, whereas future payments not yet due amount to € 1,601 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 72 basis points. The Group has not given any sureties for this contract.
There are no restrictions of any kind on these leases. There is a purchase option at the end of the contract 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.

- Allevard Sogefi USA Inc. has entered into the following lease contracts for the Prichard production site relating to:
a) Plants, machinery and improvements to the building for an original amount of USD 1,600 thousand. The contract expires in May 2019, the future payments not yet due amount to USD 1,523 thousand and the annual interest rate of interest applied by the lessor is equal to 3.92%. The Group has given sureties to secure this contract;
b) Plant, machinery and improvements to the building for an original amount of USD 1,897 thousand. The contract expires in July 2019, the future payments not yet due amount to USD 1,829 thousand and the annual nominal rate of interest applied by the lessor is equal to 3%. The Group has given sureties to secure this contract.
There are no restrictions of any kind on these leases. Upon expiry of the contracts ownership of the assets is transferred to the lessee without payment of any purchase price. These contracts are therefore accounted for as finance leases, as required by IAS 17.

17. TRADE AND OTHER CURRENT PAYABLES

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

(in thousands of Euro)	12.31.2009	12.31.2008
Trade and other payables	199,818	204,094
Tax payables	2,727	4,181
TOTAL	202,545	208,275

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Due to suppliers	149,522	159,892
Due to tax authorities for indirect and other taxes	10,423	5,128
Due to social and security institutions	14,650	14,858
Due to employees	19,593	19,554
Other payables	5,630	4,662
TOTAL	199,818	204,094

The amounts “Due to suppliers” are not subject to interest and on average are settled in 92 days, compared to 91 days recorded in 2008.
There is no significant concentration of payables due to any one supplier or small group of suppliers.
The decrease in amounts due to suppliers is mainly attributable to the reduction of the average payment times in the French subsidiaries.

The increase in the item “Due to tax authorities for indirect and other taxes” is mainly the result of settlement of a tax litigation with the subsidiary Sogefi Filtration do Brasil Ltda which led to the reclassification from the item “Provisions for disputes with tax authorities” to the item in question of € 4,009 thousand, corresponding to the amount to be paid in the next twelve months to discharge the tax liability, and to the increase in VAT payables arising from resumption of activities in 2009.

The decrease in “Tax payables” reflects the lower tax burden in the year 2009 following the lower results posted in 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 accrual basis of accounting (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.

19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
Pension funds	23,614	23,470
Provision for employment termination indemnities	8,365	10,190
Provision for restructuring	11,056	4,460
Provisions for disputes with tax authorities	446	5,491
Provision for phantom stock options	233	344
Provision for product warranties	4,090	936
Other risks	2,450	3,010
Agents' termination indemnities	159	148
Lawsuits	620	834
TOTAL	51,033	48,883

Details of the main items are given below.

Pension funds

The amount of € 23,614 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, 2009 the pension funds of the subsidiaries Sogefi Filtration Ltd and Sogefi Filtration B.V. show a surplus of € 6,822 thousand and € 104 thousand which have been reported on the line "Other receivables", as explained in note 13. The net amount of the liabilities to the various pension funds as of December 31, 2009 is therefore equal to € 16,688 thousand, as shown in the following table which shows movements in "Pension funds" during the course of the year:

(in thousands of Euro)	12.31.2009	12.31.2008
Opening balance	19,422	23,594
Cost of benefits charged to income statement	638	1,129
Contributions paid	(3,153)	(5,748)
Change to scope of consolidation	-	7
Exchange differences	(219)	440
TOTAL	16,688	19,422
of which booked to liabilities	*23,614*	*23,470*
of which booked to assets	*(6,926)*	*(4,048)*

"Contributions paid", mainly relating to the British pension funds, are lower than the previous year due to the absence of the extraordinary contributions required for the payment of dividends (the British subsidiaries did not distribute dividends in 2009).

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

(in thousands of Euro)	2009	2008
Current service cost	722	2,046
Interest cost	7,876	8,545
Expected return on plan assets	(7,578)	(8,931)
Actuarial (gains) losses recognized during the year	(382)	(551)
Settlements/curtailments	-	20
TOTAL	638	1,129

The item "Current service cost" is included in the various lines devoted to "Labour cost" in the income statement. The item includes a benefit equal to € 1,418 thousand arising from the reduction in the French subsidiaries' pension funds following the reduction in the number of employees due to the restructuring plans underway.
"Interest cost" and "Expected return on plan assets" are included in "Financial expenses (income), net". The reduction of these items is the result of a negative exchange rate effect linked to the depreciation of the British pound during 2009. This effect has been combined with a reduction in expected interest rates on the plan's assets as shown in the tables below summarising the actuarial assumptions used.
The other items are included in "Administrative and general expenses" and "Other non-operating expenses (income)".

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

(in thousands of Euro)	12.31.2009	12.31.2008
Great Britain	(5,698)	(2,920)
France	19,174	19,053
Germany	2,995	3,072
Other	217	217
TOTAL	16,688	19,422

The increase in the surplus in Great Britain is mainly due to the ordinary contributions made during 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:

	12.31.2009	12.31.2008
Discount rate %	5.70	6.20
Expected rate of return on plan assets %	2.00-7.50	4.00-7.50
Expected annual wage rise %	3.85-4.40	3.25-3.80
Annual inflation rate %	3.40	2.80
Retirement age	65	65

It is specified that the range of values presented for the "Expected rate of return on plan assets %" refers to the various types of assets included in the basket (shares, bonds, cash).
The reduction in the "Discount rate" and in the "Expected rate of return on plan assets" compared with the previous year is mainly due to the downward trend in returns on fixed-income investments during 2009, 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 established by law.
In addition to this basic assistance guaranteed by the state, employees are also entitled to other amounts that depend on their period of service and salary level, which are only paid if the employee reaches retirement age in the company.

These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

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

	12.31.2009	12.31.2008
Discount rate %	5.0-5.25	5.85-6.25
Expected annual wage rise %	3.50-4.50	2.50-3.50
Annual inflation rate %	2.0	2.00
Retirement age	60-65	60-65

The reduction in the “Discount rate” compared with the previous year is mainly due to the downward trend in returns on fixed-income investments during 2009, particularly on AA-rated corporate bonds.

The following table shows all of the obligations deriving from “Pension funds” and the present value of plan assets.

(in thousands of Euro)	12.31.2009	12.31.2008
Present value of defined benefit obligations	151,614	124,549
Fair value of plan assets	(130,352)	(108,292)
Deficit	21,262	16,257
Liabilities recorded in "Long-term provisions"	(23,614)	(23,470)
Surplus recorded in "Other receivables"	6,926	4,048
Unamortised past service cost (revenue)	(196)	17
Unrecognized actuarial (gains) losses	4,378	(3,148)

The amount of the “Present value of defined benefit obligations” and of the “Fair value of plan assets” as of December 31, 2009 has been affected by the appreciation of the British pound against the euro at the end of 2009 compared to the same period of the previous year. If we exclude the exchange effect, the “Present value of defined benefit obligations” is equal to € 142.9 million and the “Fair value of plan assets” amounts to € 121.7 million, with the “Deficit” standing at € 21.2 million.
Exchange rates being equal, the increase in the “Present value of defined benefit obligations” is justified by the decrease in the discount rate and the increase in expected inflation and expected rise in wages and salaries. Despite the low interest rates and the difficulties of the financial market, the prudent investment policy followed by the British pension funds has led to an increase in the “Fair value of plan assets”.

The item “Unrecognized 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. The increase in unrecognised actuarial losses is justified by the growth in the “Present value of defined benefit obligations” as mentioned above.

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 state-provided pensions, employees are entitled to a termination indemnity when they leave the company or retire. This is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation. This supplementary indemnity is considered as a defined-benefit fund, but is subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation). Any actuarial losses of the individual companies are booked to the income statement if they fall outside the 10% corridor limit.

Further to the amendments to the "Provision for employment termination indemnities" introduced by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in the early part of 2007, the portions of the provision accruing as from January 1, 2007 and transferred either to supplementary pension funds or the treasury fund held by INPS (the Italian social security authority) are being treated as "defined contribution plans". These amounts therefore do not require actuarial valuation and are no longer booked to the "Provision for employment termination indemnities". The "Provision for employment termination indemnities" accruing up to December 31, 2006 is still a "defined benefit plan", consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.

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%
2. Annual inflation rate: 2%
3. Annual increase in termination indemnity: 3%

- Demographic assumptions:

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

The provision has changed as follows during the period:

(in thousands of Euro)	12.31.2009	12.31.2008
Opening balance	10,190	14,207
Accruals for the period	575	679
Contributions paid	(2,400)	(4,696)
TOTAL	8,365	10,190

"Contributions paid" mainly refer to the employees of the subsidiary Sogefi Filtration S.p.A. involved in the restructuring plan.

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

(in thousands of Euro)	2009	2008
Current service cost	85	101
Interest cost	458	578
Actuarial (gains) losses recognized during the period	32	-
TOTAL	575	679

The actuarial losses unrecognised because lower than the threshold of the corridor, amount to € 570 thousand as of December 31, 2009 (€ 1,399 thousand as of December 31, 2008).

Provision for restructuring

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

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2009	12.31.2008
Opening balance	4,460	6,003
Accruals for the period	8,309	3,845
Utilizations	(1,591)	(5,225)
Provisions not used during the period	(122)	(163)
Exchange differences	-	-
TOTAL	11,056	4,460

The "Accruals for the period" mainly refer to the re-organisation of production activities underway in the Group's French subsidiaries.
"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 mainly in the filtration division.
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 € 8,187 thousand; this figure is recorded in the income statement under "Restructuring costs".

Provision for disputes with tax authorities

This refers to tax disputes underway with local tax authorities, relating mainly to subsidiaries Sogefi Filtration S.p.A. and Sogefi Filtration S.A., 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)	12.31.2009	12.31.2008
Opening balance	5,491	7,062
Accruals for the period	-	473
Utilizations	(404)	(49)
Provisions not used during the period	(1,545)	(777)
Other changes	(3,973)	-
Exchange differences	877	(1,218)
TOTAL	446	5,491

In November 2009 the subsidiary Sogefi Filtration do Brasil Ltda reached a settlement with the local tax authorities on the tax dispute underway at the end of the previous year. This settlement led to the recognition in the income statement of income of € 1,425 thousand (included in the item “Provisions not used during the period”). The residual liability, reclassified under the item “Due to tax authorities for indirect and other taxes” (reclassification is included in the line “Other changes”), will be paid in twelve monthly instalments with expiry in November 2010.

Provision for phantom stock options

This item amounted to € 233 thousand (€ 344 thousand as of December 31, 2008) and refers to the fair value accrual for incentive schemes providing for cash payment, known as phantom stock options, for the Managing Director of the Holding Company. The reduction in the provision as of December 31, 2009 includes the effect of € 135 thousand due to the waiver of 2007 and 2008 phantom stock options plans by the beneficiaries. Said beneficiaries received 2009 extraordinary stock options, resolved upon by the Shareholders’ Meeting held on April 23, 2009 to replace the waived options, as reported in note 29.

In the income statement the reduction in the provision, together with the portion pertaining to the period of the fair value valuation, is included in the items “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 “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)	12.31.2008			
	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

(in thousands of Euro)	12.31.2009			
	Provision for product warranties	Other risks	Agents' termination indemnities	Lawsuits
Opening balance	936	3,010	148	834
Accruals for the period	3,490	696	11	315
Utilizations	(60)	(390)	-	(331)
Provisions not used during the period	(269)	(946)	-	(191)
Exchange differences	(7)	80	-	(7)
TOTAL	4,090	2,450	159	620

The item “Provision for product warranties” refers to both allowances calculated on a statistical basis made by the Group companies to cover warranties to customers and to accruals for specific risks and litigations towards customers.
The amount of the found reflects the best estimate of the net liability resulting from the expected outcome of the specific risks, based on the management’s evaluation of possible scenarios in the immediate future.
The “Provisions not used during the period” mainly refer to provisions made in previous years, that were then found to be excessive following an updated assessment of the risk and the related insurance cover.

The increase in the item “Other risks” mainly refers to the accruals made by the subsidiary LPDN GmbH for a dispute underway with a supplier and by the subsidiary Sogefi Filtration do Brasil Ltda for disputes with employees.
“Provisions not used in the period” of the item “Other risks” mainly refer to the reduction of the provisions set aside by the subsidiary LPDN GmbH for the economic impact of probable requests for part-time contracts by employees who, having reached the age limits established by law, have the right to request the company to grant said contracts. The reduction of the provision is explained by a change in German legislation governing this treatment.

The “Utilizations” and the “Provisions not used in the period” of the item “Lawsuits” mainly refer to the closure of a dispute underway in the subsidiary Filtrauto S.A. regarding a risk associated to a patent.

Other payables

“Other payables” totalled € 382 thousand (€ 384 thousand as of December 31, 2008) and regard the subsidiary LPDN GmbH.

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)	12.31.2009		12.31.2008	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	2,482	729	2,249	654
Fixed assets writedowns	17,486	5,467	16,204	5,126
Inventory writedowns	7,822	2,549	7,283	2,361
Provisions for restructuring	9,812	3,097	4,733	1,330
Other provisions	17,578	5,824	22,443	7,079
Other	27,365	9,205	23,939	7,922
Deferred tax assets for tax losses incurred during the year	20,720	6,672	3,650	1,244
Deferred tax assets for tax losses incurred during prior years	4,863	1,458	2,822	972
TOTAL	108,128	35,001	83,323	26,688
Deferred tax liabilities:				
Accelerated/excess depreciation and amortization	60,042	18,683	54,047	16,826
Difference in inventory valuation methods	1,134	333	696	178
Capitalization of R&D costs	25,041	8,543	22,184	7,583
Other	11,466	3,288	10,932	3,262
TOTAL	97,683	30,847	87,859	27,849
Deferred tax assets (liabilities), net		4,154		(1,161)
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	40,424	15,689	35,403	13,632
Other	506	43	827	153
TOTAL	40,930	15,732	36,230	13,785

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, 2008 amounts to € 5,315 thousand and differs by € 435 thousand from the amount shown in the income statement under "Income taxes – Deferred tax liabilities (assets)" due to reclassifications, exchange differences or movements in financial items that did not have any effect on the income statement and therefore the related tax effect has been recorded in equity (€ 200 thousand).

The increase in the tax effect in the item "Provisions for restructuring" relates to accruals made for production reorganisation mainly implemented in the French subsidiaries.
The decrease in the tax effect in the item "Other provisions" is mainly due to the reversal of deferred tax assets of Sogefi Filtration do Brasil Ltda following settlement in 2009 of the dispute underway with the local tax authorities.

“Deferred tax assets for tax losses incurred during the year” mainly refer to the subsidiaries Allevard Rejna Autosupensions S.A. and Sogefi Filtration Ltd..
“Deferred tax assets for tax losses incurred during previous years” refer to the subsidiary Sogefi Filtration S.A..

It is specified that the deferred tax assets relating to the “Allowance for doubtful accounts” and to the “Inventory writedowns” mainly include amounts that will be paid in the twelve months following year end.

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 there was not a reasonable certainty that they would be recovered. The increase in “Tax losses carried forward” mainly relates 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, 2009 amounts to € 60,397 thousand (unchanged with respect to December 31, 2008), split into 116,148,992 ordinary shares of a par value of € 0.52 each.

Movements in the shares outstanding are as follows:

(Shares outstanding)	*2009*	*2008*
No. shares at start of period	116,148,992	114,604,992
No. shares issued for subscription of stock options	-	1,544,000
No. of ordinary shares as of December 31	116,148,992	116,148,992
Treasury shares	(1,956,000)	(1,956,000)
No. of shares outstanding as of December 31	114,192,992	114,192,992

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*	*Legal reserve*	*Cash flow hedging reserve*	*Reserve for stock options*	*Tax on items booked directly to equity*	*Other reserves*	*Retained earnings*	*Net result for the period*	*Total*
Balance at December 31, 2007	*59,595*	*73,660*	*3,762*	*(3,762)*	*5,566*	*11,880*	*287*	*2,363*	*(74)*	*5,738*	*99,673*	*52,200*	*310,888*
Paid share capital increase	802	4,064	-	-	-	-	-	-	-	(15)	-	-	4,851
Allocation of 2007 net profit:													
Legal reserve	-	-	-	-	-	300	-	-	-	-	-	(300)	-
Dividends	-	(61,988)	-	-	-	-	(287)	(2,363)	79	(2,609)	(66,625)	(25,734)	(159,527)
Retained earnings	-	-	-	-	-	-	-	-	-	-	26,166	(26,166)	-
Net purchase of treasury shares	-	(1,245)	1,245	(1,245)	-	-	-	-	-	-	-	-	(1,245)
Imputed cost of stock options	-	-	-	-	-	-	-	635	-	-	-	-	635
Other changes	-	-	-	-	-	-	-	-	(6)	5	52	-	51
Fair value measurement of financial assets available for sale	-	-	-	-	-	-	-	-	-	(4)	-	-	(4)
Fair value measurement of cash flow hedging instruments: share booked to equity	-	-	-	-	-	-	(2,157)	-	-	-	-	-	(2,157)
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	(393)	-	-	-	-	-	(393)
Tax on items booked directly to equity	-	-	-	-	-	-	-	-	702	-	-	-	702
Currency translation differences	-	-	-	-	(21,391)	-	-	-	-	-	-	-	(21,391)
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	28,495	28,495
Balance at December 31, 2008	*60,397*	*14,491*	*5,007*	*(5,007)*	*(15,825)*	*12,180*	*(2,550)*	*635*	*701*	*3,115*	*59,266*	*28,495*	*160,905*
Paid share capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of 2008 net profit:													
Legal reserve	-	-	-	-	-	140	-	-	-	-	-	(140)	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	28,355	(28,355)	-
Net purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-
Imputed cost of stock options	-	-	-	-	-	-	-	533	-	-	-	-	533
Other changes	-	-	-	-	-	-	-	-	-	-	256	-	256
Fair value measurement of financial assets available for sale	-	-	-	-	-	-	-	-	-	9	-	-	9
Fair value measurement of cash flow hedging instruments: share booked to equity	-	-	-	-	-	-	(2,471)	-	-	-	-	-	(2,471)
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	1,733	-	-	-	-	-	1,733
Tax on items booked directly to equity	-	-	-	-	-	-	-	-	200	-	-	-	200
Currency translation differences	-	-	-	-	13,285	-	-	-	-	-	-	-	13,285
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	(7,639)	(7,639)
Balance at December 31, 2009	*60,397*	*14,491*	*5,007*	*(5,007)*	*(2,540)*	*12,320*	*(3,288)*	*1,168*	*901*	*3,124*	*87,877*	*(7,639)*	*166,811*

Reserve for reclassification of treasury shares

The “Reserve for reclassification of treasury shares” corresponds to the reserve made on reclassification of the treasury shares held in portfolio following the adoption of IAS 39 from January 1, 2005.

Translation reserve

This reserve is used to record the exchange differences arising on the translation of foreign subsidiaries' financial statements.

Movements in the period show an increase of € 13,285 thousand mainly attributable to the appreciation of the Brazilian real against the euro.

Cash flow hedging reserve

This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as "cash flow hedges". Changes during the period show a decrease of € 738 thousand.

Reserve for stock options

The reserve refers to the imputed value 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 plans approved in 2009.

Retained earnings

These totalled € 87,877 thousand and include amounts of net profit that have not been distributed.

The increase of € 256 thousand mainly arises from the change in the percentage held in the subsidiary S.ARA Composite S.a.S..

Tax on items booked directly to equity

The table below shows the amount of income taxes relating to each item of the consolidated statement of comprehensive income:

(in thousands of Euro)	*2009*			*2008*		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	(738)	203	(535)	(2,550)	701	(1,849)
- Profit (loss) booked to fair value reserve for financial assets held for sales	9	(3)	6	(4)	1	(3)
- Profit (loss) booked to translation reserve	13,231	-	13,231	(21,259)	-	(21,259)
- Profit (loss) booked directly to equity	12,502	200	12,702	(23,813)	702	(23,111)

MINORITY INTERESTS

The balance amounted to € 15,364 thousand and refers to the portion of shareholders' equity attributable to minority interests.

The decrease of € 298 thousand mainly arises from the change in the percentage held in the subsidiary S.ARA Composite S.a.S..

22. ANALYSIS OF THE NET FINANCIAL POSITION

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

(in thousands of Euro)	12.31.2009	12.31.2008
A. Cash	111,583	49,456
B. Other cash at bank and on hand (details)	-	-
C. Financial instruments held for trading	21	17
D. Liquid funds (A) + (B) + (C)	**111,604**	**49,473**
E. Current financial receivables	**25**	**824**
F. Current payables to banks	4,327	19,750
G. Current portion of non-current indebtedness	67,378	35,733
H. Other current financial debts	1,023	473
I. Current financial indebtedness (F) + (G) + (H)	**72,728**	**55,956**
J. Current financial indebtedness, net (I) - (E) - (D)	**(38,901)**	**5,659**
K. Non-current payables to banks	196,169	238,612
L. Bonds issued	-	-
M. Other non-current financial debts	13,026	12,986
N. Non-current financial indebtedness (K) + (L) + (M)	**209,195**	**251,598**
O. Net indebtedness (J) + (N)	**170,294**	**257,257**
Non-current financial receivables	99	22
Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the director's report on operations)	**170,195**	**257,235**

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

- Syndicated loan of € 160 million obtained by the Holding Company Sogefi S.p.A.: the ratio of consolidated net financial position to consolidated EBITDA has to be less or equal to 3.5; the ratio of EBITDA to net financial expenses must not be less than 4;
- Loan of € 100 million obtained by the Holding Company Sogefi S.p.A.: the ratio of 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.: with regard to measurement of the covenants as of June 30, 2009 and as of December 31, 2009 the maximum ratio between the consolidated net financial position and consolidated EBITDA has been raised from 3.5 to 4.

It is specified that for all the loans mentioned above for the purposes of calculation of EBITDA the expenses and revenues arising from non-ordinary operations have been excluded.

At December 31, 2009 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 year the Sogefi Group posted sales of € 780,987 thousand compared to € 1,017,458 thousand in the previous year (-23.2%); on a like-for-like basis in terms of scope of consolidation (excluding the Indian subsidiaries which posted sales of € 5,479 thousand) and exchange rates (using the average rates of the previous year with a negative impact from the pound, peso and real) Group sales would total € 792,614 thousand (-22.1%).

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

By business sector:

(in thousands of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
Filters	414,811	53.1	497,467	48.9
Suspension components and precision springs	368,043	47.1	521,914	51.3
Intercompany eliminations	(1,867)	(0.2)	(1,923)	(0.2)
TOTAL	780,987	100.0	1,017,458	100.0

By geographical area of "destination":

(in thousands of Euro)	2009		2008	
	Amount	*%*	*Amount*	*%*
France	189,845	24.3	220,157	21.6
Germany	103,861	13.3	155,005	15.2
Italy	68,479	8.8	90,901	8.9
Great Britain	66,164	8.5	109,503	10.8
Spain	39,062	5.0	61,345	6.0
Benelux	38,813	4.9	63,712	6.3
Other European Countries	89,895	11.5	107,158	10.5
Mercosur	153,030	19.6	175,120	17.2
United States	14,951	1.9	19,280	1.9
China	6,838	0.9	5,592	0.5
India	6,015	0.8	454	0.1
Rest of the World	4,034	0.5	9,231	1.0
TOTAL	780,987	100.0	1,017,458	100.0

Sales posted a sharp fall in all the mature markets. In Europe total revenues fell from € 807,781 thousand to € 596,119 thousand (-26.2%), in South America they fell by 12.6% from € 175,120 thousand to € 153,030 thousand and in North America they dropped by 22.5%.

24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2009	2008
Materials	360,102	476,170
Direct labour cost	83,051	97,768
Energy costs	25,783	31,173
Sub-contracted work	12,234	23,959
Ancillary materials	12,956	17,043
Variable sales and distribution costs	31,834	31,472
Royalties paid to third parties on sales	3,872	4,088
TOTAL	529,832	681,673

The lower amount of "Variable cost of sales" reflects the contraction in sales.
The percentage on sales rose from 67.0% to 67.8%, mainly due to the impact on the income statement of the destocking of finished products achieved in the previous year. Net of this impact, the percentage of "Materials" benefits from a fall in the cost of raw materials.

The percentage of "Direct labour cost" rose as a result of the expenses charged in Group companies for use of redundancy arrangements such as the Italian redundancy payments and the French "*Chomage Technique*".

The reduction of "Energy costs", "Sub-contracted work" and "Ancillary materials" is due to the lower sales.

The rise in "Variable sales and distribution costs" and in "Royalties paid to third parties on sales" is mainly attributable to the greater percentage share on total sales revenues of the *aftermarket* segment to which these items are linked. The item "Variable sales and distribution costs" has also been affected by accruals for product warranties calculated on a statistical basis or relating to specific risks towards customers.

The change in the scope of consolidation amounts to € 3,545 thousand.

25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2009	2008
Labour cost	69,130	76,624
Materials, maintenance and repairs	16,178	21,488
Rental and hire charges	4,883	4,860
Personnel services	5,868	7,646
Technical consulting	1,935	3,538
Sub-contracted work	793	1,481
Insurance	1,762	1,575
Utilities	1,309	1,569
Capitalization of internal construction costs	(12,136)	(12,550)
Other	648	1,068
TOTAL	90,370	107,299

“Manufacturing and R&D overheads” show a decrease of € 16,929 thousand (-15.8%) against the previous year.

The decrease has affected almost all the items and specifically:
- “Labour cost” due to the reduction in the average number of employees;
- “Materials, maintenance and repairs” due to the reduced use of production plants;
- “Technical consulting” due to lesser use of consulting in new product development especially in the Filtration Division;
- the item “Other” for lower costs for industrial waste disposal in the Suspension Division.

The decrease in “Capitalisation of internal construction costs” is mainly attributable to the lower expenses for the ERP system currently being implemented in the Suspension Division.

Costs for Research and Development (not reported in the table) amount to € 18,460 thousand (2.4% on sales) compared to € 20,535 thousand (2% on sales) in the previous year.

The change in the scope of consolidation amounts to € 175 thousand.

26. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	2009	2008
Depreciation of tangible fixed assets	33,651	34,691
of which: assets under finance leases	*619*	*521*
Amortization of intangible assets	8,499	7,793
TOTAL	42,150	42,484

“Depreciation and Amortization” amount to € 42,150 thousand, compared to € 42,484 thousand in the same period of the previous year. The slight decrease in total amount is due to lower depreciation and amortisation in the subsidiary Sogefi Filtration S.p.A. (as a result of the closure of the Mantova plant in the previous year) by € 592 thousand and to a positive exchange rate effect of € 499 thousand, offset by an increase in amortisation of intangible assets due to the entering into production of new products developed in previous years.

The change in the scope of consolidation amounts to € 99 thousand.

27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2009	2008
Labour cost	17,696	19,393
Sub-contracted work	5,296	5,840
Advertising, publicity and promotion	2,690	3,716
Personnel services	1,996	2,909
Rental and hire charges	2,055	2,061
Consulting	649	866
Other	677	1,151
TOTAL	31,059	35,936

"Distribution and sales fixed expenses" fell by € 4,877 thousand (-13.6%).
This decrease is mainly related to the following items:

- "Labour cost" due to the reduction in the average number of employees, to match the fall in sales volumes, and to an exchange rate effect equal to € 574 thousand;
- "Sub-contracted work" due to lesser use of external logistic services in Europe by the Suspension Division;
- "Advertising, publicity and promotion" due to the sharp reduction in promotional expenses in the Filters Division.

The change in the scope of consolidation amounts to € 99 thousand.

28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2009	2008
Labour cost	25,864	27,361
Personnel services	2,983	4,066
Maintenance and repairs	3,214	4,138
Cleaning and security	2,822	3,513
Consulting	4,126	5,091
Utilities	2,789	2,991
Rental and hire charges	3,150	3,020
Insurance	2,744	2,828
Participation des salaries	775	1,893
Administrative, financial and tax-related services provided by Parent Company	1,850	1,850
Audit fees	1,256	1,143
Directors' and statutory auditors' remuneration	1,085	837
Sub-contracted work	418	625
Other	815	3,074
TOTAL	53,891	62,430

"Administrative and general expenses" amounted to € 53,891 thousand, compared to € 62,430 thousand in the previous year, recording a decrease of 13.7%.
As for the previous items, the Group has shown its capacity to adjust structural costs to the lower volumes of business.

The reduction in the "Labour cost" and in "Personnel services" is due to the reduction in the average number of employees.
The items "Maintenance and repairs", "Cleaning and security" and "Sub-contracted work" were the subject of general cost-cutting measures.
The reduction in expenditure for the item "Consulting" was achieved through lesser use in the information technology and legal areas.
The decrease in "*Participation des salaries*" (profit-sharing) arises from the worsening of the business performance of the French companies.
The item "Other" was mainly influenced by the reduction in accruals for contributions to French and German pension funds following legislative and actuarial changes.

The change in the scope of consolidation amounts to € 481 thousand.

"Directors' and statutory auditors' remuneration" includes € 561 thousand and € 106 thousand respectively for the Directors and Statutory Auditors of the Holding Company.

29. PERSONNEL COSTS

Personnel

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

(in thousands of Euro)	2009	2008
Wages, salaries and contributions	192,418	216,589
Pension costs: defined benefit plans	807	2,117
Pension costs: defined contribution plans	1,256	2,146
Participation des salaries	775	1,893
Imputed cost of stock option plans	533	635
Other costs	192	280
TOTAL	195,981	223,660

"Personnel costs" have fallen with respect to the previous year by € 27,679 thousand (-12.4%). Despite this significant reduction, personnel costs as a percentage of sales have risen from 22% at the end of the previous year to 25.1% as of December 31, 2009.

The decrease of "Personnel costs" is mainly attributable to the line "Wages, salaries and contributions", which has benefited from the exchange effect for an amount of € 3,996 thousand, and from a reduction in the average number of employees.

Pension costs have decreased following the restructuring plans underway as mentioned earlier.

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*" is included in "Administrative and general expenses".

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)	2009	2008
Managers	87	88
Clerical staff	1,367	1,388
Blue collar workers	4,433	4,736
TOTAL	5,887	6,212

Personnel benefits

Stock option plans

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

The plans provide participants with the opportunity to exercise an option to subscribe newly-issued Sogefi shares at a set price and within a specific 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.

Stock option plans are first approved by the Shareholders' Meeting.

In 2009, the Board of Directors approved the following stock option plans:

• 2009 stock option plan restricted to the managers of the Company and its subsidiaries for a maximum of 2,335,000 shares (2.01% of the share capital as of December 31, 2009) with a subscription price of € 1.0371, to be exercised between September 30, 2009 and September 30, 2019;

• 2009 extraordinary stock option plan restricted to beneficiaries of the 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, subject to the waiver of their rights under the above-mentioned phantom stock option plans. The 2009 extraordinary stock option plan entailed the award, at the same conditions of the options replaced, of 1,015,000 options (corresponding to a maximum of 1,015,000 shares, corresponding to 0.87% of share capital as of December 31, 2009), of which 475,000 (First tranche options) replace options under the 2007 phantom stock option plan and 540,000 (Second tranche options) replace options under the 2008 phantom stock option plan. The First tranche options may be exercised up until September 30, 2017; the Second tranche options may be exercised up until September 30, 2018.

Except for the plans mentioned above and the content of the paragraph below regarding "Phantom stock option plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of equity instrument. As a result, it is not necessary to disclose the fair value of such goods or services.

As laid down in IFRS 2, only plans allocated after November 7, 2002 must be considered (note that the Company does not have any plans prior to said date) and therefore, in addition to those issued in 2009, the plans issued in 2004, 2005, 2006, 2007 and 2008 must be considered. The main details of these plans are shown below:

- 2004 stock option plan for a maximum of 1,880,000 ordinary shares (1.62% of share capital as of December 31, 2009) 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, 2009) with a subscription price of € 3.87, to be exercised between September 30, 2005 and September 30, 2015;
- 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, 2009) 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, 2009) with a subscription price of € 5.87, to be exercised between September 30, 2006 and September 30, 2016;
- 2007 stock option plan restricted to the managers of foreign subsidiaries for a maximum of 715,000 shares (0.62% of share capital as of December 31, 2009) with an issue 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 by the Shareholders’ Meeting, adjusted the exercise price from € 6.96 to € 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders’ Meeting on the same date;
- 2008 stock option plan restricted to the managers of foreign subsidiaries for a maximum of 875,000 shares (0.75% of share capital as of December 31, 2009) with a subscription price of € 2.1045, to be exercised between September 30, 2008 and September 30, 2018.

The fair value of the options awarded in 2009 was calculated, at the award date, using the Black-Scholes method, and totals € 471 thousand. The imputed cost for 2009 for existing plans is € 533 thousand, booked to the income statement under “Other non-operating expenses (income)”.

The following table shows the total number of existing options with reference to the 2004-2009 plans and their average strike price:

	2009		2008	
	Number	*Average price of the year*	*Number*	*Average price of the year*
Not exercised/not exercisable at the start of the year	3,947,600	4.55	4,835,800	4.82
Granted during the year	3,350,000	1.90	875,000	2.10
Cancelled during the year	(788,200)	4.58	(376,000)	4.87
Exercised during the year	-	-	(1,387,200)	3.30
Not exercised/not exercisable at the end of the year	6,509,400	3.18	3,947,600	4.55
Exercisable at the end of the year	2,884,300	4.48	1,953,400	4.92

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 maturing at the end of the year and not yet subscribed.

Details of the number of options exercisable as of December 31, 2009 are given below:

	Total
Number of exercisable options remaining at December 31, 2008	1,953,400
Options matured during the year	1,919,500
Options exercised during the year	-
Options cancelled during the year	(988,600)
Number of exercisable options remaining at December 31, 2009	2,884,300

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

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

The main characteristics of 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 the Italian subsidiaries, for a maximum of 1,760,000 options at the initial grant price of € 7.0854, adjusted in 2008 to € 5.9054, to be exercised between September 30, 2007 and September 30, 2017. Following the restructuring of the plan (mentioned above), 475,000 options were waived;

• 2008 phantom stock option plan restricted to the Managing Director and managers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,700,000 options at the grant price of € 2.1045, to be exercised between September 30, 2008 and September 30, 2018. Following the restructuring of the plan (mentioned above), 540,000 options were waived.

Details of the number of phantom stock options as of December 31, 2009 are given below:

	2009
Not exercised/not exercisable at the start of the year	2,966,800
Granted during the year	-
Cancelled during the year	(1,136,800)
Exercised during the year	-
Not exercised/not exercisable at the end of the year	1,830,000
Exercisable at the end of the year	970,200

As of December 31, 2009 the fair value of the options awarded was calculated using the binomial tree model and amounts to € 233 thousand. The change with respect to the previous year of € 111 thousand, has been booked 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 € 17,162 thousand (compared with € 11,473 thousand the previous year) and relate to restructuring plans already underway in both divisions.
"Restructuring costs" are made up of the accruals to the "Provision for restructuring" (€ 8,187 thousand, net of the unused portions provided in previous years) and, for the remaining part, of costs incurred and paid during the year and of costs incurred during the year for which the previous years' provisions were not sufficient.

31. LOSSES (GAINS) ON DISPOSAL

Losses on disposal amount to € 1,222 thousand and almost exclusively refer to disposals of assets of the subsidiary Rejna S.p.A.. As of December 31, 2008 gains of € 15 thousand were recorded.

32. EXCHANGE (GAINS) LOSSES

Exchange losses as of December 31, 2009 amounted to € 781 thousand (€ 2,238 thousand as of December 31, 2008). In the previous year the item was adversely affected by the strong depreciation of the British pound which penalised payables denominated in euro of the British subsidiaries.

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to € 9,445 thousand compared with € 11,502 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2009	2008
Indirect taxes	5,319	5,581
Other fiscal charges	3,864	4,940
Imputed cost of stock options	533	635
Other non-operating expenses (income)	(271)	346
TOTAL	9,445	11,502

"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 item has decreased compared to the previous year thanks to the possibility of using the added value instead of the fixed assets value like parameter for calculating the tax in Filtrauto S.A. subsidiary.

The main components of "Other non-operating expenses (income)" are the following:

of which non-recurring:

A) Items related to the subsidiary Allevard Springs Ltd for the fire that broke out in July 2008:
- Costs of € 2,863 thousand to the resumption operations in the British subsidiary and in the other companies involved in the production reorganisation;
- Insurance recoveries of € 4,403 thousand;

B) Other non-recurring expenses/income
- Writedowns of assets relating to the subsidiaries Allevard Rejna Autosuspensions S.A., for the restructuring process underway, and Allevard Sogefi USA Inc., for the closure of the suspension activity, for a total of € 812 thousand;
- Writedowns of inventories and spare parts in the subsidiaries Rejna S.p.A. and Allevard Sogefi USA Inc. for a total of € 717 thousand;

of which recurring
- Provisions for legal disputes with employees and third parties mainly in the subsidiaries Sogefi Filtration do Brasil Ltda and Rejna S.p.A. for a total of € 607 thousand;
- Recovery of provisions set aside in previous years for tax risks in the subsidiary Sogefi Filtration do Brasil Ltda for € 1,425 thousand;
- Pension costs for employees no longer on the books of Allevard Federn GmbH for € 223 thousand;
- Actuarial gains of € 376 thousand in the subsidiaries Sogefi Filtration Ltd and Allevard Rejna Autosuspension S.A. resulting from changes to actuarial assumptions;
- Costs for transferring a production line from Allevard Sogefi U.S.A. Inc. to Allevard Molas do Brasil Ltda for € 246 thousand;

- Other recurring costs of € 465 thousand mainly relating to the subsidiary Sogefi Filtration S.p.A. for Mantova plant closure.

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2009	2008
Interest on amounts due to banks	6,837	13,255
Financial charges under lease contracts	529	723
Financial component of pension funds and termination indemnities	582	40
Costs of interest-rate hedging contracts	1,759	-
Other interest and commissions	2,276	2,134
TOTAL FINANCIAL EXPENSES	11,983	16,152

Financial income is detailed as follows:

(in thousands of Euro)	2009	2008
Income from interest-rate hedging contracts	26	393
Interest on amounts due from banks	1,027	1,535
Other interest and commissions	147	236
TOTAL FINANCIAL INCOME	1,200	2,164
TOTAL FINANCIAL EXPENSES (INCOME), NET	10,783	13,988

Financial expenses, net show a decrease of € 3,205 thousand due to improvement of the net financial position and the decrease in interest rates.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

The item includes the dividends received from the associated company Allevard Ressorts Composites S.A.S. of € 75 thousand (€ 127 thousand as of December 31, 2008).

36. INCOME TAXES

(in thousands of Euro)	2009	2008
Current taxes	6,450	16,018
Deferred tax liabilities (assets)	(5,750)	775
TOTAL	700	16,793

The year 2009 closed with a negative tax rate of 12.4% compared to a positive tax rate of 34.8% in the previous year.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2009 and 2008 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 on the line "Other permanent differences and tax rate differentials".

	2009		2008	
(in thousands of Euro)		Tax rate %		Tax rate %
Result before taxes	(5,633)	27.5%	48,233	27.5%
Theoretical income raxes	(1,549)		13,264	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortization of goodwill	(125)	2.2%	(126)	-0.3%
Non-deductible costs, net	300	-5.3%	700	1.5%
Use of deferred tax assets not recognised in previous years	-	-	(1,594)	-3.3%
Deferred tax assets on losses for the year not recognised in the financial statements	1,643	-29.1%	1,328	2.8%
Taxed portion of dividends	1,075	-19.1%	1,029	2.1%
Other permanent differences and tax rate differentials	(644)	11.4%	2,192	4.5%
Income taxes in the consolidated income statement	700	-12.4%	16,793	34.8%

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

37. DIVIDENDS PAID

In 2009 no dividends were 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 has only issued ordinary shares; treasury shares are always excluded from the dividend.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	2009	2008
Net result attributable to the ordinary shareholders (in thousands of Euro)	(7,639)	28,495
Weighted average number of shares outstanding during the year (thousands)	114,193	113,844
Basic EPS (Euro)	*(0.067)*	*0.250*

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.

	2009	2008
Net result attributable to the ordinary shareholders (in thousands of Euro)	(7,639)	28,495
Weighted number of shares outstanding during the year (thousands)	114,193	113,844
Weighted average number of shares potentially under option during the year (thousands)	2,444	1,376
Number of shares that could have been issued at fair value (thousands)	(2,444)	(1,376)
Adjusted weighted average number of shares outstanding during the year (thousands)	114,193	113,844
Diluted EPS (Euro)	*(0.067)*	*0.250*

The “Weighted average number of shares potentially under option during the year” represents the average number of shares that are potentially outstanding under stock option plans for which the subscription right has vested but has not yet been exercised at the end of the reporting period. These shares have a potentially dilutive effect on Basic EPS and are therefore taken into consideration in the calculation of Diluted EPS.

The “Number of shares that could have been issued at fair value” represents the 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 2009 amounted to € 1.2986, whereas in 2008 it was € 2.8443.

In 2009, the average fair value of Sogefi shares was lower than the average exercise price of the shares potentially under option. As a result, 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 Diluted EPS is equal to 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 debts. This difference, in any event insignificant, is generated by the fixed-rate loans outstanding at the end of the reporting period, for which the value has been recalculated at current market rates.

(in thousands of Euro)	Book value		*Fair value*	
	12.31.2009	12.31.2008	12.31.2009	12.31.2008
Financial assets				
Cash and cash equivalents	111,583	49,456	111,583	49,456
Securities held for trading	21	17	21	17
Assets for derivative financial instruments	25	780	25	780
Current financial receivables	-	44	-	44
Trade receivables	126,549	169,973	126,549	169,973
Other receivables	5,545	19,019	5,545	19,019
Other assets	3,055	3,801	3,055	3,801
Other financial assets available for sale	472	464	472	464
Non-current financial receivables	68	-	68	-
Other non-current receivables	9,029	8,772	9,029	8,772
Financial liabilities				
Short-term financial debts	71,705	55,483	71,978	55,750
Other short-term liabilities for derivative financial instruments	1,023	473	1,023	473
Trade and other payables	199,818	204,094	199,818	204,094
Other current liabilities	1,971	1,770	1,971	1,770
Medium/long-term financial debts	207,071	249,335	207,406	249,418
Other medium/long-term liabilities for derivative financial instruments	2,124	2,263	2,124	2,263

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

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

These debts may be fixed or floating rate.

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

Floating rate debts, which represent 97% of Group loans, expose the Group to a risk arising from interest rate volatility ("cash flow" risk).

With regard to this risk, for the purposes of hedging, the Group may use derivative contracts which limit the impact on the income statement of changes in the interest rate. At present, hedging transactions cover around 33% of the Group's floating-rate debts. After such transactions, floating-rate loans represent around 64% 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, 2009, 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	(1,270)	(1,089)	(1,072)	(1,116)	(734)	(3,692)	(8,973)
TOTAL FLOATING RATE	40,171	(35,027)	(36,390)	(129,671)	(344)	8	(161,253)

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, 2009, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2009		12.31.2008	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(495)	325	(1,293)	(616)
- 100 basis points	495	(325)	1,293	616

The effect on equity differs from the effect on the income statement by € 820 thousand, which reflects the change in fair value of the instruments hedging the interest rate risk.

Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.
Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in countries of the Eurozone, but it is exposed to currency risk above all in respect of the Pound sterling, Brazilian real, US dollar, Argentine peso and Chinese renminbi.
Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.
As of December 31, 2009, the Brazilian subsidiary Allevard Molas do Brasil Ltda has a debt in dollars (USD 1,900 thousand) resulting from the purchase of a springs production line from the American subsidiary Allevard Sogefi U.S.A. Inc. in 2009. As analysed in the section on "Hedging", the exchange risk of this debt has been entirely hedged by taking out derivative contracts.

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 (gains) losses", net of tax, and on equity of a change in exchange rates that is considered reasonably possible. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.
What has been taken into consideration are the financial assets and liabilities outstanding as of December 31, 2009 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, 2009 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 1,900 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)	12.31.2009		12.31.2008	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 5%	(93)	(93)	(432)	(432)
- 5%	101	101	476	476

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

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 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, 2009 is represented by the book value of the financial assets shown in the financial statements (€ 256,347 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (€ 10,701 thousand).

The exposure to credit risk is essentially linked to trade receivables which as of December 31, 2009 amount to € 127,935 thousand (€ 170,887 thousand as of December 31, 2008), written down by € 5,752 thousand (€ 5,871 thousand as of December 31, 2008).
Receivables are backed by insurance guarantees for € 3,397 thousand (€ 11,247 thousand as of December 31, 2008). 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)	12.31.2009	12.31.2008
Opening balance	5,871	5,706
Accruals for the period	785	1,432
Utilizations	(747)	(344)
Provisions not used during the period	(264)	(622)
Exchange differences	107	(301)
TOTAL	5,752	5,871

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)	12.31.2008		
	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

(in thousands of Euro)	12.31.2009		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	7,018	(73)	6,945
30-60 days	1,714	(169)	1,545
60-90 days	950	(89)	861
over 90 days	11,324	(5,368)	5,956
Total receivables past due	21,006	(5,699)	15,307
Total receivables still to fall due	106,929	(53)	106,876
TOTAL	127,935	(5,752)	122,183

As of December 31, 2009 gross receivables past due decreased by € 4,983 thousand compared to the previous year with specific regard for "0-30 days" bracket (- € 4,317 thousand) and "30-60 days" bracket (- € 1,667 thousand).
The impact of gross receivables past due on total receivables, including the value of factored receivables fell from 15.2% to 13.3%.
The rise in receivables past due in the "over 90 days" bracket is specifically concentrated in two subsidiaries where no allowance was made for doubtful accounts as the disputes are covered by insurance guarantees.
Past due receivables have been written down by 27.1% of the total (22.3% as of December 31, 2008) or by 47.4% (56% as of December 31, 2008) considering only the "over 90 days" bracket. Writedowns refer mainly to disputed amounts or

receivables that have been due for a significant period of time and can no longer be collected.
The impact of receivables past due net of the allowance for doubtful accounts on total receivables, including the value of factored receivables, fell from 12.2% to 10%.
The item “Total receivables still to fall due” does not contain significant positions that have been renegotiated.

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

Liquidity risk

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.
The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.
The fact that it has a significant level of cash flow, together with its solid capital structure, makes it relatively easy for the Group to find additional sources of financing.
It should also be mentioned that the Group has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to 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	(89)	(101)	(117)	(133)	(151)	(2,085)	(2,676)
Finance lease Allevard Sogefi U.S.A. Inc.	(209)	(218)	(226)	(233)	(242)	(1,197)	(2,325)
Government financing	(780)	(674)	(648)	(630)	(317)	(356)	(3,405)
Other fixed rate loans	(192)	(96)	(81)	(120)	(24)	(54)	(567)
Future interest	(429)	(397)	(362)	(328)	(300)	(1,214)	(3,030)
TOTAL FIXED RATE	(1,699)	(1,486)	(1,434)	(1,444)	(1,034)	(4,906)	(12,003)
Floating rate							
Cash and cash equivalents	111,583	-	-	-	-	-	111,583
Financial assets	21	-	-	-	-	-	21
Assets for derivative financial instruments	25	-	-	-	-	-	25
Current financial receivables	-	-	-	-	-	-	-
Non current financial receivables	-	-	-	60	-	8	68
Bank overdrafts and other short-term loans	(4,327)	-	-	-	-	-	(4,327)
Sogefi S.p.A. loans	(53,311)	(33,311)	(33,311)	(129,398)	-	-	(249,331)
Bank loans	(9,880)	-	-	-	-	-	(9,880)
Finance lease Allevard Rejna Autosuspensions S.A.	(1,381)	(1,446)	(1,213)	(328)	(344)	-	(4,712)
Other floating rate loans	(1,536)	(11)	(6)	-	-	-	(1,553)
Liabilities for derivative financial instruments	(1,023)	(259)	(1,860)	(5)	-	-	(3,147)
Future interest	(3,993)	(2,678)	(1,911)	(716)	(3)	-	(9,301)
TOTAL FLOATING RATE	36,178	(37,705)	(38,301)	(130,387)	(347)	8	(170,554)
Trade receivables	126,549	-	-	-	-	-	126,549
Trade and other payables	(199,818)	-	-	-	-	-	(199,818)

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, 2009, the Holding Company Sogefi S.p.A. and the subsidiary 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 6,730,000	12/23/2009	1.43680	01/22/2010	1.43675
USD 1,800,000	12/23/2009	1.43680	01/22/2010	1.43680

As of December 31, 2009 the fair value of these contracts amounted to € 15 thousand and was shown under "Other financial assets – Assets for derivative financial instruments". Fair value was calculated using the forward curve of exchange rates as of December 31, 2009.

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

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 2,300,000	12/23/2009	0.89180	01/22/2010	0.89200

As of December 31, 2009 the fair value of this contract amounted to € 10 thousand and was booked to "Other short-term liabilities for derivative financial instruments". Fair value was calculated using the forward curve of exchange rates as of December 31, 2009.

The subsidiary Allevard Molas do Brasil Ltda has a debt in dollars (USD 1,900 thousand) to the subsidiary Allevard Sogefi U.S.A. Inc. for the purchase of a springs production line in 2009. Payment of this debt is scheduled for May 2010. The exchange risk of this debt has been fully hedged by means of the following derivative contracts:

Non-deliverable forward

Forward purchase	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
USD 700,000	12/01/2009	1.7314	05/31/2010	1.7976
USD 800,000	12/22/2009	1.7835	05/31/2010	1.8440
USD 400,000	12/28/2009	1.7359	05/31/2010	1.7945

As of December 31, 2009 the fair value of these contracts was negative for € 13 thousand and was booked to "Other short-term liabilities for derivative financial instruments".
Fair value was calculated using the forward curve of exchange rates as of December 31, 2009.

The subsidiary Sogefi Filtration do Brasil Ltda has the following contract to hedge the exchange risks on dividends to be collected by the subsidiary Sogefi Filtration Argentina S.A.:

Non-deliverable forward

Forward sale	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
ARP 1,900,000	07/08/2009	0.5249	01/19/2010	0.4645

As of December 31, 2009 the fair value of these contracts amounted to € 10 thousand and was shown under "Other financial assets – Assets for derivative financial instruments".
Fair value was calculated using the forward curve of exchange rates as of December 31, 2009.

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 + 60 bps	04/24/2008	09/30/2012	10,000	4.193%	(611)
Hedging of Sogefi S.p.A. loan for € 50 million (09/08/2006 maturity 09/08/2013), rate: Euribor 3 months + 60 bps	10/07/2008	12/31/2010	15,000	3.755%	(406)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	10/07/2008	11/04/2010	10,000	3.860%	(295)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	10/07/2008	11/04/2010	10,000	3.890%	(299)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	11/18/2009	04/30/2013	5,000	2.210%	(5)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	11/27/2009	04/30/2013	5,000	2.150%	5
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	11/18/2009	05/05/2013	5,000	2.230%	23
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	11/27/2009	05/05/2013	5,000	2.170%	32

Description of IRC	Date opened	Contract maturity	Notional	Cap/Floor	Fair value
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	04/24/2008	10/31/2012	10,000	Cap: 4.50% Floor: 3.84%	(582)

Description of IRC K.in	Date opened	Contract maturity	Notional	Cap/Floor	Fair value
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	04/24/2008	10/31/2012	10,000	Cap: 4.50% Floor: 4.20% Knock in European: 3.33%	(667)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	05/09/2008	10/31/2011	5,000	Cap: 4.40% Floor: 4.10% Knock in European: 3.10%	(259)

With the exception of the IRS, which provides 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 the IRC and “Cap-Knock in” for the IRC K.in). As regards IRC K.in, if the 3-month Euribor falls below the “Knock in”, the Group pays the “Floor” rate.
The aim of these contracts is to limit the risk of changes in interest rates. They have been treated as hedges and the related fair value is booked to equity.
Reference should be made to the paragraph on "Interest risk" for further information on the level of hedging of interest risk.

Equity management

The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and ensuring it is capable of continuing as a going concern. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of debt and meet the covenants established by the loan agreements.

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

As of December 31, 2009 gearing stands at 0.93 (1.44 as of December 31, 2008). The improvement in gearing compared to the previous year is mainly due to the reduction of the net financial indebtedness after implementation of policies for partial extension of suppliers’ payment terms, stock reduction, non recourse sale of trade receivables and reduction of new investments.

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

In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as of December 31, 2009.

For the financial instruments measured at fair value in the statement of financial position the IFRS 7 requires a classification by hierarchy detemined by referece to the source of inputs used to derive the fair value. This classification uses the following three-level hierarchy:

- Level 1: if the financial instrument is quoted in an active market;
- Level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market;
- Level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are not observable in the market.

The following table shows the financial assets and liabilities and their levels in the fair value hierarchy:

(in thousands of Euro)	*Note*	Book value	Receivables and financial assets	Financial assets available for sale	Financial liabilities	Fair Value	
						Amount	*Fair value hierarchies*
Current assets							
Cash and cash equivalents	*5*	111,583	111,583	-	-	-	-
Securities held for trading	*6*	21	-	-	-	21	*1*
Assets for derivative financial instruments	*6*	25	-	-	-	25	*2*
Trade receivables	*8*	126,549	126,549	-	-	-	-
Other receivables	*8*	5,545	5,545	-	-	-	-
Other assets	*8*	3,055	3,055	-	-	-	-
Non-current assets							
Other financial assets available for sale	*12*	472	-	472	-	-	-
Non-current financial receivables	*13*	68	8	-	-	60	*2*
Other non-current receivables	*13*	9,029	9,029	-	-	-	-
Current liabilities							
Short-term financial debts	*16*	71,705	-	-	71,705	-	-
Other short-term liabilities for derivative financial instruments	*16*	1,023	-	-	-	1,023	*2*
Trade and other payables	*17*	199,818	-	-	199,818	-	-
Other current liabilities	*18*	1,971	-	-	1,971	-	-
Non-current liabilities							
Medium/long-term financial debts	*16*	207,071	-	-	207,071	-	-
Other medium/long-term liabilities for derivative financial instruments	*16*	2,124	-	-	-	2,124	*2*

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, 2009 held 56.6% of outstanding shares. Sogefi S.p.A.'s shares are listed on the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A..

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

As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., 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 2009 the Holding Company Sogefi S.p.A. used the services of CIR S.p.A., paying € 1,850 thousand for them (same as the previous year).
As of December 31, 2009 the Italian companies of the Sogefi Group have receivables of € 4,307 thousand due from CIR S.p.A. in connection with the Group tax filing system. As of December 31, 2008, receivables amounted to € 4,885 thousand, and were received in full during the course of 2009.
During 2009 the subsidiary Allevard Rejna Autosuspensions S.A. provided commercial services to the associated company Allevard Ressorts Composites S.a.S. for a total of € 50 thousand.

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 2009, 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)	2009	2008
Receivables		
- for the Group tax filing from Cir S.p.A.	4,307	4,885
- for services rendered to Allevard Ressorts Composites S.a.S.	59	72
Payables		
- for purchases of energy/gas from Sorgenia S.p.A.	8	27
Revenues		
- for services rendered to Allevard Ressorts Composites S.a.S.	50	121
Costs		
- for services received from Cir S.p.A.	1,850	1,850
- for purchases of energy/gas from Sorgenia S.p.A.	-	15
Compensation of directors and statutory auditors		
- directors	936	689
- statutory auditors	149	148
Compensation of managers with strategic responsibilities	1,876	1,895

In 2009 the Group expenses for "Compensation of managers with strategic responsibilities" and related contributions, employment termination indemnities and fringe benefits amount to € 2,665 thousand.

G) COMMITMENTS AND RISKS

41. OPERATING LEASES

For accounting purposes, leases and rental contracts are classified as operating when:
- a significant part of the risks and benefits associated with ownership are retained by the lessor;
- there are no purchase options at prices that do not represent the presumable market value of the asset being leased at the end of the period;
- the 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 December 10, 2018 and as of December 31, 2009 the remaining payments amount to USD 3,249 thousand, of which USD 442 thousand due within 12 months.
For this contract Sogefi S.p.A. provided a guarantee equal to 50% of the remaining lease payments. The guarantee is renewed at the end of each year on the basis of 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, 2009 are as follows:

(in thousands of Euro)	2009	2008
Within 12 months	4,774	4,480
Between 1 and 5 years	9,388	11,211
Beyond 5 years	1,250	1,729
TOTAL	15,412	17,420

42. INVESTMENT COMMITMENTS

There are no binding commitments for investments other than those relating to the purchase of property, plant and equipment for 746 thousand, as already disclosed in the notes to tangible fixed assets. At December 31, 2008 the equivalent figure amounted to € 1,868 thousand.

43. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2009	12.31.2008
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	987	974
b) Other personal guarantees in favour of third parties	9,714	9,714
TOTAL PERSONAL GUARANTEES GIVEN	10,701	10,688
REAL GUARANTEES GIVEN		
a) Against liabilities shown in the financial position	1,557	1,587
TOTAL REAL GUARANTEES GIVEN	1,557	1,587

The guarantees given in favour of third parties relate to guarantees given to certain customers and to operating lease contracts; guarantees are shown at a value equal to the outstanding commitment at the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.
The "Other personal guarantees in favour of third parties" relate to the commitment of the subsidiary LPDN GmbH to the employee pension fund for its the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” refer to encumbrances or liens granted to financial institutions to obtain loans.

44. OTHER RISKS

As of December 31, 2009 the Group had third-party goods and materials held at Group companies worth € 6,302 thousand (€ 7,097 thousand as of December 31, 2008).

45. ATYPICAL OR UNUSUAL TRANSACTIONS

Pursuant to Consob Communication of July 28, 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2009.

46. SUBSEQUENT EVENTS

The beginning of the year 2010 has recorded production levels that are in line with the end of 2009 and well above those of the first quarter of the previous year.
A slowdown in end customer orders for vehicles in mature markets has been observed to coincide with the suspension or, in some countries, reduction of incentive schemes.
The level of production is expected to be offset by the end of destocking by manufacturers.
The current performance confirms the forecast of a return to profit in 2010.

H) GROUP COMPANIES

47. LIST OF GROUP COMPANIES AS OF DECEMBER 31, 2009

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. Cerdnanyola (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. Guyancourt (France)	Euro	100,000	10,000	100.00	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co. Ltd Shanghai (China)	USD	9,979,914.5		100.00		9,979,914.5

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
SOGEFI M.N.R. FILTRATION INDIA 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
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	2,800,000	1,800,000	64.29	1	1,800,000
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

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. Andance (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
UMC & MAKKAWI SPRING MANUFACTURING Co., Ltd 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

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

1. The undersigned:
   Emanuele Bosio – Chief Executive Officer of Sogefi S.p.A.
   Giancarlo Coppa – Manager responsible for preparing Sogefi S.p.A.'s financial reports
   hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998 that:

   the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2009 fiscal year:

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

2. No relevant aspects are to be reported on this subject.

3. It is also certified that:

3.1 the consolidated financial statements at December 31, 2009:

   - have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
   - correspond to the books and accounting records;
   - provide a true and fair representation of the financial position, result of operations and cash flow of the issuer and the companies included in the scope of consolidation.

3.2 The report on operations includes a reliable analysis of the performance and 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.

Milano, February 23, 2010

Chief Executive Officer	Manager responsible for preparing financial reports
Emanuele Bosio	Giancarlo Coppa

REPORT OF THE BOARD OF STATUTORY AUDITORS

TO THE SHAREHOLDERS' MEETING

PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/98 AND ART. 2429 OF THE CIVIL CODE

Dear Shareholders,

This report refers to the activities conducted by the Board of Statutory Auditors during the year ended 31 December 2009, as required by article 2429 of the Civil Code and article no. 153 of Legislative Decree 58/98, in accordance with the principles recommended by the National Council of Accountants and with Consob Circular no. 1025564 dated 6 April 2001, and subsequent amendments.

In particular, please note the following:

1. The Board of Directors, in accordance with article no. 150 of Legislative Decree 58/98, informed the Board of Statutory Auditors at regular intervals about the business and about significant operational, financial and equity-related operations conducted by Sogefi S.p.A. and its subsidiaries. These operations were conforming to the law and the by-laws and have been adequately described in the Directors' Report. The statutory auditors also ensured themselves, including by interviewing members of the Board, that the operations were not imprudent, risky, in conflict with past resolutions or in potential conflict of interest or, in any case, of such a nature as to jeopardise integrity of the capital stock.
2. The Board of Statutory Auditors did not find evidence of any atypical or unusual transactions by the Company with third parties, related parties or with group companies.
3. The business conducted between Sogefi S.p.A. and the other group companies concerns operations conducted in the company's interest, at arm's length, considering also the quality and specific nature of the services provided, and have been adequately described in the documents accompanying the financial statements.

4. On 10 March 2010 the independent auditors, PricewaterhouseCoopers S.p.A., issued their audit reports for the statutory and consolidated financial statements as at 31 December 2009, without any disclosure observations or statements.
5. The Board of Statutory Auditors did not receive any complaints in the sense of article 2408 of the Civil Code.
6. The Board of Statutory Auditors did not receive any statements of complaint.
7. During the year 2007 mandates were conferred on the auditing firm PricewaterhouseCoopers S.p.A., respectively for auditing the statutory and consolidated financial statements for the three-year period 2007-2008-2009, for half-yearly audits and for continuous monitoring of the accounts. These mandates will therefore expire upon approval of the financial statements for the year 2009.
8. During the year costs totalling Euro 154,000 were sustained for professional services other than auditing provided to the Sogefi Group by the auditors; in addition, other duties, costing Euro 7,000, were assigned to parties related to the firm of auditors.
9. The Board of Statutory Auditors expressed its opinion about the appointment of the manager responsible for preparing the company's financial reports as required by article 154-bis of Legislative Decree 58/98 and verified, pursuant to article 3-c-5 of the Corporate Governance Code, that the criteria and procedures adopted by the Board of Directors to evaluate the independence of its members were correctly applied.
10. During the year 2009 the Board of Statutory Auditors met 5 times, the Board of Directors met 5 times, meetings at which we always participated, the Internal Control Committee met 5 times and the Remuneration Committee met twice.
11. The Board of Statutory Auditors collected information and ensured, as far as possible, that correct governance principles were complied with, by means of direct observation, collection of information from those responsible for the various functions and by meeting with

executives of the independent auditors in order to exchange relevant data and information. No observations were made in connection with this.

12. The Board of Statutory Auditors also collected information and ensured, as far as possible, that the company's organisational structure was adequate, and nothing worthy of note was found.

13. The Board of Statutory Auditors oversaw suitability of the internal control system and the system of administration and accounting, and whether the latter could be relied on to provide an accurate representation of management events by: studying the reports of the manager responsible for preparing the company's financial reports regarding the system of administration and accounting and the system of internal control over company reporting; obtaining information from the managers of the respective functions, relations with the control bodies, pursuant to paragraphs 1 and 2 of article 151 of Legislative Decree 58/98; and participating in the activities of the Internal Control Committee. No anomalies emerged from these activities that could be seen as indicating an unsuitable internal control system.

14. The Company has provided its subsidiaries with instructions on how to fulfil their disclosure obligations pursuant to art. 114, paragraph 2 of Legislative Decree 58/98. These instructions appear to be sufficient to meet the requirements of the law.

15. The Board of Statutory Auditors ascertained, by checking directly and from information collected from the Independent Auditors, that legal provisions and regulations were observed in relation to the drafting and layout of the statutory and consolidated financial statements and the accompanying documents, which were drafted by the management board according to going concern principles.

16. With reference to Corporate Governance and the arrangements for implementing the governance rules set out in the Code of Corporate Governance published by Borsa Italiana S.p.A., the arrangements adopted by the Company were explained in full in the specific

report, the contents of which are approved by the Board of Statutory Auditors.

17. No significant facts emerged during the oversight and control activities that need to be reported to the controlling bodies or mentioned in this report.
18. The Board of Statutory Auditors, acknowledging the results of the statutory financial statements as at 31 December 2009, which show net earnings of Euro 33,401,126, while the consolidated financial statements of the Sogefi Group show a loss of Euro 7,639,000, has no objections to the proposed allocation of the profits for the year submitted by the Board of Directors for approval.

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Appendix

Pursuant to article no. 144/XV of the Issuers' Regulations, a list is attached hereto of offices held by members of the controlling body in companies pursuant to Section V, Title V, Chapters V-VI-VII of the Civil Code on the date this report is issued. .

Mantua, 11 March 2010

The Board of Statutory Auditors

Angelo Girelli (Chairman)

Giuseppe Leoni (Acting Auditor)

Riccardo Zingales (Acting Auditor)

Information to be made public pursuant to art. 144-*quinquiesdecies* of Issuers' Regulations

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 Issuers' Regulations

Name of the company	Post	Term in office ends on
Agrimar Srl	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Agrisviluppo SpA	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Ballarini Paolo & Figli Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Caleffi Spa	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 Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2010
Eurocart Spa	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 31/12/2011
Filippini Auto Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Filippini Moto Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2010
Garlatti Srl	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2011
Graepel Italiana Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2011
Immobiliare Chiese di Perini & C. Spa	Acting Auditors	Approval of financial statements 31/12/2010
Immobiliare Regis Srl	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2010
Is Molas Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Martelli F.lli Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2010
Mazzini 82 Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Pluricart Spa	Acting Auditors	Approval of financial statements 31/12/2010
Omniaholding Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2010
Omniainvest Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2010
Rodriquez Cantieri Navali Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Rcn Finanziaria Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Sensim Spa	Acting Auditor	Approval of financial statements 31/12/2011
Sogefi Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2011
Sogefi Filtration Spa	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2011
Stai Prefabbricati Spa	Acting Auditor	Approval of financial statements 31/12/2011
Stai Prefabbricati Srl	Chairman of the Board of Statutory Auditors	Approval of financial statements 31/12/2009
Vetreria del Chiese Spa	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 Issuers' Regulations

about the 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 Issuers' Regulations

A. LIST OF POSTS

- QUARTIERI DURINI S.p.A. based in Milano, Via Durini n. 24, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2011;
- REDA S.p.A. based in Brugherio, Via San Francesco D'Assisi n. 330, 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 Brugherio, Via San Francesco D'Assisi n. 330, 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 Milano, 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 Milano, 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 Milano, Viale Enrico Forlanini n. 17, Alternate Auditor up to approval of financial statements as of December 31, 2011;
- GAS PLUS RETI S.r.l. based in Milano, Viale Enrico Forlanini n. 17, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2011;
- GAS PLUS VENDITE S.r.l. based in Milano, Viale Enrico Forlanini n. 17, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2011;
- GAS PLUS ITALIANA S.p.A. based in Milano, Viale Enrico Forlanini n. 17, Chairman of the Board of Statutory Auditors up to approval of financial statements as of December 31, 2011;
- TRASPORTI AGRICOLI S.p.A. based in Milano, Via Carducci n. 9, Acting Auditor up to approval of financial statements as of December 31, 2010;
- IMMOBILIARE STATICE S.p.A. based in Milano, 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, 2011;
- GEFIN S.p.A. based in Milano, 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, 2011;
- 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;
- CONFEZIONI & FACON S.r.L. based in Milano, Corso Indipendenza n. 5, Non-executive director up to approval of financial statements as of December 31, 2009;
- MARIELLA BURANI FASHION GROUP S.p.A. based in Cavriago, Via della Repubblica n. 86, Acting auditor from February 18th, 2010 – succeeded ex lege to the outgoing Mr. Giovanni Grazzini – prorogatio regime following resignation presented on February 25th 2010;
- REGGENTE S.p.A. based in Lucera (Foggia), Strada delle Mandre, Acting auditor up to approval of financial statements as of December 31, 2011.

B. NUMBER OF TOTAL POSTS HELD: 19
C. NUMBER OF POSTS HELD IN ISSUERS: 2

Information to be made public pursuant to art. 144-*quinquiesdecies* of Issuers' Regulations

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 Issuers' Regulations

Name of the company	Post	Term in office ends on
Banca Albertini Syz & C. SpA	Director	Approval of Financial statements 31/12/2009
Beta Mobiliare Srl in Liq.	Liquidator	indefinite
CIR Spa	Acting Auditor	Approval of Financial statements 31/12/2010
Cofide SpA	Acting Auditor	Approval of Financial statements 31/12/2010
Dry Products SpA	Acting Auditor	Approval of Financial statements 31/12/2010
Sorgenia Menowatt Srl	Acting Auditor	Approval of Financial statements 31/12/2012
Energia Italiana SpA	Acting Auditor	Approval of Financial statements 31/12/2009
Energia Lombarda SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2010
Sorgenia Power SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2011
F Srl	Sole Director	indefinite
Faremuro Srl	Sole Director	indefinite
G Srl	Sole Director	indefinite
Immobiliare Bonaparte Ventidue Srl	Sole Director	indefinite
Immobiliare Palman Srl	Acting Auditor	Approval of Financial statements 31/12/2009
Jupiter Marketplace SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2011
Lng Med Gas Terminal Srl	Acting Auditor	Approval of Financial statements 31/12/2009
Loft Colonna Srl	Sole Director	indefinite
Loft Tartaglia Srl	Sole Director	indefinite
Manzonimmobiliare Srl	Sole Director	indefinite
P Srl	Sole Director	indefinite
Quintiliana Srl	Sole Director	indefinite
Rejna SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2009
Sabiana SpA	Acting Auditor	Approval of Financial statements 31/12/2011
Sogefi SpA	Acting Auditor	Approval of Financial statements 31/12/2011
Sorgenia Bioenergy SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2010
Sorgenia Holding SpA	Acting Auditor	Approval of Financial statements 31/12/2009
Sorgenia Minervino SpA	Acting Auditor	Approval of Financial statements 31/12/2012
Sorgenia Puglia SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2010
Sorgenia SpA	Acting Auditor	Approval of Financial statements 31/12/2010
Sorgenia Trading SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2011
Stemgen SpA	Acting Auditor	Approval of Financial statements 31/12/2011
Azzurro LNG SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2011
Tirreno Power SpA	Acting Auditor	Approval of Financial statements 31/12/2010
Valora SpA	Director	Approval of Financial statements 31/12/2009
Veolia Servizi Ambientali SpA	Chairman of the Board of Statutory Auditors	Approval of Financial statements 31/12/2009
Verbena Srl in Liq.	Liquidator	indefinite
Voluta Srl	Sole Director	indefinite
Wellboat Real Estate Italy Srl	Sole Director	indefinite

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

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 2009, comprising the consolidated statement of financial position, income statement and statement of comprehensive income, cash flow statement, statement of changes in 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 the directors of Sogefi SpA. 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 and reclassified to reflect the changes in the primary statements introduced by IAS 1 (2007), reference should be made to our report dated 13 March 2009.

3 In our opinion, the consolidated financial statements of the Sogefi Group as of 31 December 2009 and for the year then ended 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 financial position, results of operations and other components of the comprehensive income, cash flows and changes in equity of the Sogefi Group for the year then ended.

4 The preparation of the report on operations and the corporate governance report, published in the section "investor relations" of Sogefi SpA's website, in compliance with the applicable laws and regulations is the responsibility of the directors of Sogefi SpA. Our responsibility is to express an opinion on the consistency of the report on operations and of the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No. 58/1998, presented in the corporate governance report, with the financial statements, as required by law. To this end, we have performed the procedures required under Auditing Standard No. 001 issued by the Italian accounting profession (Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili) and recommended by CONSOB. In our opinion, the report on operations and the information referred to in paragraph 1, letters c), d), f), l), m), and paragraph 2, letter b), of article 123-bis of Legislative Decree No.58/98 presented in the corporate governance report are consistent with the consolidated financial statements of the Sogefi Group as of 31 December 2009.

Milan, 10 March 2010

PricewaterhouseCoopers SpA

Sergio Pizzarelli
(Partner)

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