## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION
*(in thousands of Euro)*

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

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

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

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

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

### C 1) ASSETS

### 5. CASH AND CASH EQUIVALENTS

*Cash and cash equivalents amount to Euro 85,209 thousand versus Euro 102,461 thousand as of December 31, 2011 and break down as follows:*

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

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

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

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

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

### 6. OTHER FINANCIAL ASSETS

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

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

*"Securities held for trading" are measured at fair value based on official sources at the time the financial statements are drawn up. They represent readily marketable securities which are used by the companies to optimise cash management.*
*"Held-to-maturity investments" are valued at amortised cost and include bonds of a Spanish prime banking institution.*
*"Assets for derivative financial instruments" total Euro 15 thousand and refer to the fair value of forward foreign exchange contracts. Further details can be found in the analysis of financial instruments contained in note 39.*

## 7. INVENTORIES

*The breakdown of net inventories is as follows:*

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

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

*Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The increase in the provision reflects an additional Euro 1,724 thousand set aside (booked to the income statement under "Variable cost of sales") that were partly offset by products scrapped during the year for the amount of Euro 964 thousand and a negative exchange effect for Euro 76 thousand.*

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

## 8. TRADE AND OTHER RECEIVABLES

*Current receivables break down as follows:*

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

*"Trade receivables, net" are non-interest bearing and have an average due date of 42 days, against 45 days recorded at the end of the previous year.*
*It should be noted that as of December 31, 2012, the Group factored trade receivables for Euro 65,114 thousand (Euro 57,557 thousand as of December 31, 2011), including an amount of Euro 34,151 thousand which was not notified and for which the Group continues to manage collection services. The risks and benefits related to*

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

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

*Further adjustments were booked to "Allowance for doubtful accounts" during the year for a total of Euro 706 thousand, against net utilisations of the allowance for the amount of Euro 731 thousand (see note 39 for further details). Writedowns, net of provisions not used during the period, were charged to Income Statement under the item "Variable cost of sales – Variable sales and distribution costs".*

*"Due from Parent Company" as of December 31, 2012 is the amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group.*
*See chapter F for the terms and conditions governing these receivables from CIR S.p.A..*

*"Tax receivables" as of December 31, 2012 include tax credits due to the Group companies by the tax authorities of the various countries. The increase in this item mainly reflects increased VAT credits. It does not include deferred taxes which are treated separately.*

*"Other receivables" are made up as follows:*

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

*"Due from others" include an indemnification asset of Euro 23,368 thousand owed by the seller of Systèmes Moteurs S.A.S.'s shares relating to the recovery of expenses charged by customers following claims on the quality of products sold, based on warranties given by the same seller (after possible partial indemnities obtained from insurers and suppliers). This amount was booked during the Purchase Price Allocation process as outlined in "Note 2.2 Business combinations".*

*The item "Other assets" essentially includes accrued income and prepayments on royalties, insurance premiums, indirect taxes relating to buildings and on costs incurred for sales activities. The increase in this item reflects for the most part prepaid rents of subsidiary Sogefi Filtration do Brasil Ltda relating to the year 2013.*

## 9. TANGIBLE FIXED ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

*The balance of "Assets under construction and payments on account" as of December 31, 2012 includes Euro 79 thousand of advances for investments.*

*The main inactive assets, with a total net book value of Euro 6,317 thousand, included in the item "Tangible fixed assets" refer to an industrial building of the subsidiary Sogefi Rejna S.p.A. (located in Melfi); an industrial building, with adjoining land and a property complex of the Holding Company Sogefi S.p.A. (located in Mantova and San Felice del Benaco). The net book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not in the scope of IFRS 5.*

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

Guarantees

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

Purchase commitments

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

Leases

*The carrying value of assets under financial leases as of December 31, 2012 was Euro 8,842 thousand, and the related accumulated depreciation amounted to Euro 3,683 thousand.*
*It should be noted that the lease agreements of the Fronville facility and part of the lease agreement of the Lieusaint facility have expired during the year 2012 and subsidiary Allevard Rejna Autosuspensions S.A. exercised the option to purchase at the price of Euro 305 thousand and Euro 3, respectively.*
*The financial aspects of the lease payments and their due dates are explained in note 16.*

## 10. INTANGIBLE ASSETS

*The net balance as of December 31, 2012 was Euro 239,577 thousand versus Euro 220,246 thousand at the end of the previous year, and breaks down as follows:*

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

| *(in thousands of Euro)* | *2011* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *Development costs* | *Industrial patents and intellectual property rights, concessions, licences and trademarks* | *Other, assets under construction and payments on account* | *Customer Relationship* | *Trade name Systèmes Moteurs* | *Goodwill* | *TOTAL* |
| Balance at January 1 | 27,624 | 5,048 | 6,738 | - | - | 94,079 | 133,489 |
| *Additions of the period* | *13,246* | *396* | *6,853* | - | - | - | *20,495* |
| *Disposals during the period* | - | *(22)* | *(18)* | - | - | - | *(40)* |
| *Exchange differences* | *(106)* | - | *(154)* | - | - | - | *(260)* |
| *Amortisation for the period* | *(9,966)* | *(2,300)* | *(524)* | *(412)* | *(181)* | - | *(13,383)* |
| *Writedowns during the period* | *(129)* | - | *(5)* | - | - | - | *(134)* |
| *Change to scope of consolidation* | *15,854* | *3,980* | *54* | *19,215* | *8,437* | *32,560* | *80,100* |
| *Other changes* | *1,075* | *353* | *(1,449)* | - | - | - | *(21)* |
| Balance at December 31 | 47,598 | 7,455 | 11,495 | 18,803 | 8,256 | 126,639 | 220,246 |
| *Historical cost* | *105,233* | *24,250* | *15,796* | *19,215* | *8,437* | *149,537* | *322,468* |
| *Accumulated amortisation* | *57,635* | *16,795* | *4,301* | *412* | *181* | *22,898* | *102,222* |
| *Net value* | *47,598* | *7,455* | *11,495* | *18,803* | *8,256* | *126,639* | *220,246* |

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

*The increases in "Development costs" for the amount of Euro 26,170 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers. The largest investments refer to the subsidiaries Systèmes Moteurs S.A.S., Filtrauto S.A., Mark IV AIS Mexico S de R.L. de C.V., Sogefi Filtration do Brasil Ltda and Allevard Sogefi U.S.A. Inc..*

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

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

*"Development costs" principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks" consist of factors that are acquired externally for the most part.*
*"Other, assets under construction and payments on account" include around Euro 13,799 thousand of costs generated internally.*

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

**Goodwill and impairment test**

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

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

*For the moment, it is possible to identify goodwill deriving from external acquisitions in three CGUs: fluid filters, air intake and cooling and car suspension.*
*The specific goodwill of the "Engine Systems Division – Fluid Filters" amounts to Euro 77,030 thousand, the goodwill of the "Engine Systems Division – Air Intake and Cooling" amounts to Euro 32,560 thousand and the goodwill pertaining to the "Car Suspension Components Division " amounts to Euro 17,049 thousand.*

*Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.*

*We used the method that involves discounting unlevered cash flows, based on projections drawn up in budgets/ long-term plans for the period 2013-2016, approved by management and in line with forecasts for the automotive segment (as estimated from the segment's most important sources) and on a discounting rate of 8%, which reflects the weighted average cost of capital.*
*The same discounting rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risk.*

*The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate of 2% and considering an operating cash flow based on the last year of the long-term plan (the year 2016), adjusted to project a stable situation "in perpetuity", based on the following main assumptions:*
- *a balance between capital investment and depreciation (according to the rationale of considering the level of investment needed to "maintain" the business);*
- *a zero change in working capital (assuming in effect that the benefits of the working capital reduction plan that the Group is currently implementing will run out in the medium-term).*

*As regards the average cost of capital, we calculated a weighted average cost of debt (taking into consideration the benchmark interest rates plus a "spread") and the Company's own cost of capital, based on parameters for a group of entities operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's "peers". The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:*
- *financial structure of the industry (debt to equity): 37.2%*
- *levered beta of the industry: 1.15*
- *risk free rate: 4.25% (annual average yield 10 year government bonds for the key jurisdiction in which the group operates, weighted by sales revenues)*
- *risk premium: 5.5%*
- *debt cost spread: 3.3% (estimate based on the 2013 budget)*

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

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

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

## 11. INVESTMENTS IN JOINT VENTURES

*The item includes the investment in Mark IV Asset (Shanghai) Auto Parts Co., Ltd, a joint venture valued at the equity method. There are no contingent liabilities or financial engagements connected to such equity investment.*

## 12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

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

| *(in thousands of Euro)* | *12.31.2012* | *12.31.2011* |
|---|---|---|
| *Equity investments in other companies* | *489* | *490* |
| *Other securities* | *-* | *-* |
| *TOTAL* | *489* | *490* |

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

## 13. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

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

*"Other receivables" break down as follows:*

| *(in thousands of Euro)* | *12.31.2012* | *12.31.2011* |
|---|---|---|
| *Substitute tax* | *576* | *576* |
| *Pension fund surplus* | *12,864* | *11,298* |
| *Other receivables* | *3,582* | *2,228* |
| *TOTAL* | *17,022* | *14,102* |

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

*"Pension fund surplus" refers to the subsidiaries Sogefi Filtration Ltd, since the company presents a reimbursement right for the contingent surplus at the end of the plan. For further details, refer to note 19.*

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

*The increase in the item reflects the non-current portion of prepaid rents of subsidiary Sogefi Filtration do Brasil Ltda relating to the year 2014 for the amount of Euro 590 thousand, tax credits of subsidiaries Allevard Rejna Autosuspensions S.A. and S.ARA Composite S.A.S. for the amount of Euro 447 thousand for research and development activities, and other receivables mainly consisting in tax credits for the remaining portion.*

## 14. DEFERRED TAX ASSETS

*As of December 31, 2012, this item amounts to Euro 57,530 thousand compared with Euro 48,638 thousand as of December 31, 2011.*
*This amount relates to the expected benefits on deductible temporary differences, booked to the extent that it is probable that it will be recovered. Reference should be made to note 20 for a further discussion of this matter.*

## 15. NON-CURRENT ASSETS HELD FOR SALE

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

## C 2) LIABILITIES AND EQUITY

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

*These break down as follows:*

Current portion

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

Non-current portion

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

**Bank overdrafts and short-term loans**

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

**Current portion of medium/long-term financial debts**

*As of December 31, 2012, this item principally includes the following loans:*

- *the current portion of Euro 27,850 thousand of a Euro 100,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Unicredit S.p.A. in 2006 (the residual amount as of December 31, 2012 was Euro 33,276 thousand). The loan expires in March 2014 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 70 basis points. The spread actually applied at the end of 2012 corresponded to 90 basis points. The loan is not secured against any of the company's assets. During the year, the Holding Company benefited from a temporary suspension of capital payments due on July 31 and on October 31, 2012 (for a total amount of Euro 11,100 thousand) granted to entities affected by the earthquake that affected the Mantua area in May 2012. As a result of this suspension, the final expiry date of the loan was put off from September 2013 to March 31, 2014;*

- *the current portion of Euro 10,000 thousand of a Euro 40,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from the Banca Europea degli Investimenti (BEI) in 2010 (the residual amount as of December 31, 2012 was Euro 34,838 thousand). The loan expires in April 2016 and has a floating interest rate corresponding to the 3-month Euribor plus an average spread of 256 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of Euro 6,250 thousand of a Euro 25,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Monte de Paschi di Siena S.p.A. in 2011 (the residual amount as of December 31, 2012 was Euro 24,793 thousand). The loan expires in December 2016 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 150 basis points. The spread actually applied at the end of 2012 corresponded to 200 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of Euro 6,000 thousand of a Euro 60,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Intesa Sanpaolo S.p.A. in 2011 (the residual amount as of December 31, 2012 was Euro 59,471 thousand), divided into two tranches of Euro 30,000 thousand each, with one tranche at amortised capital instalments starting in June 2013 and one of the revolving type made available in December 2012. The loan expires in December 2016 and has a floating interest rate corresponding to the 3-month Euribor plus a base spread of 200 basis points. The spread actually applied at the end of 2012 corresponded to 230 basis points. The loan is not secured against any of the company's assets;*
- *a Euro 6,533 thousand loan denominated in Brazilian real obtained by the subsidiary Sogefi Filtration do Brasil Ltda from Banco do Brasil in 2010 (the residual amount as of December 31, 2012 corresponded to the full amount). The loan expires in July 2013 and has a 4.5% fixed interest rate. The loan is not secured against any of the company's assets;*
- *a Euro 5,959 thousand loan (partly denominated in Euro and partly in Renminbi) obtained by the subsidiary Shanghai Sogefi Auto Parts Co., Ltd from Unicredit in 2012 (the residual amount as of December 31, 2012 corresponded to the full amount). The loan expires in May 2013 and has a floating interest rate corresponding to the six-monthly PBOC multiplied by 130% for the portion denominated in Renminbi, whereas the portion denominated in Euro has an interest rate established by Unicredit ("cost of funding") plus a spread of 250 basis points. The loan is not secured against any of the company's assets;*
- *the current portion of Euro 4,677 thousand of a Euro 25,000 thousand loan obtained by the Holding Company Sogefi S.p.A. from Banca Carige S.p.A. in 2011 (the residual amount as of December 31, 2012 was Euro 23,602 thousand). The loan expires in September 2017 and has a floating interest rate corresponding to the 3-month Euribor plus a fixed spread of 225 basis points. During the year, the Holding Company benefited from a temporary suspension of the capital payment due on September 30, 2012 (for a total amount of Euro 1,142 thousand) granted to entities affected by the earthquake that affected the Mantua area in May 2012. As a result of this suspension, the final expiry date of the loan was put off from June 30, 2017 to September 30, 2017. The loan is not secured against any of the company's assets;*
- *the current portion of other minor medium/long-term loans, including financial lease payments in accordance with IAS 17.*

**Other short-term liabilities for derivative financial instruments**

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

**Medium/long-term financial debts**

*This mainly includes the following loans:*

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

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

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

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

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

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

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

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

*The item includes the medium/long-term portion of the fair value of the interest risk hedging instruments. Reference should be made to chapter E for a further discussion of this matter.*

**Finance leases**

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

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

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

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

– *Sogefi Filtration Ltd for a long-term rental contract for the production site in Tredegar. The contract expires in September 2022 and the original total amount of the contract was Euro 3,247 thousand; the future capital payments amount to Euro 2,577 thousand and the annual nominal rate of interest applied by the lessor is 11.37%.*
  *The Group has given sureties for this contract.*
  *This rental contract has been accounted for as financial leases, as required by IAS 17, where the present value of the rent payments coincided approximately with the fair value of the asset at the time the contract was signed.*

– *Allevard Rejna Autosuspensions S.A. has a lease contract for the Lieusaint production site. The contract expires in October 2014 and the original total amount of the contract was Euro 2,108 thousand, the future capital payments amount to Euro 673 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 60 basis points. The Group has not given any sureties for this contract.*
  *There are no restrictions of any nature on this lease. There is a purchase option at the end of the contracts to buy the assets at the price of Euro 1. Given that it is probable that the options will be exercised, considering the low redemption value of the assets, this contract has been accounted for as a finance lease, as foreseen by IAS 17.*
  *It should be noted that the lease agreements of the Fronville facility and part of the lease agreement of the*

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

– *Allevard Sogefi USA Inc. has entered into the following lease contracts for the Prichard production site relating to:*

a) *plants, machinery and improvements to the building for an original amount of Euro 1,213 thousand. The contract expires in May 2019, the future capital payments amount to Euro 832 thousand and the annual interest rate applied by the lessor is equal to 3.92%. The Group has given sureties for this contract;*

b) *plants, machinery and improvements to the building for an original amount of Euro 2,274 thousand. The contract expires in July 2019, the future capital payments amount to Euro 1,612 thousand and the annual interest rate applied by the lessor is equal to 3%. The Group has given sureties for this contract.*

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

## *17. TRADE AND OTHER CURRENT PAYABLES*

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

| *(in thousands of Euro)* | *12.31.2012* | *12.31.2011* |
|---|---|---|
| *Trade and other payables* | *307,984* | *314,841* |
| *Tax payables* | *12,203* | *8,615* |
| *TOTAL* | *320,187* | *323,456* |

*Details of trade and other payables are as follows:*

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

*The amounts "Due to suppliers" are not subject to interest and on average are settled in 74 days, in line with the year 2011.*
*There is no significant concentration of payables due to any one supplier or small group of suppliers.*

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

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

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

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

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

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

## 18. OTHER CURRENT LIABILITIES

*"Other current liabilities" include adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.*
*The increase in the item for the amount of Euro 1,441 thousand mainly refers to advances paid by customers for tooling to be built.*

## 19. LONG-TERM PROVISIONS AND OTHER PAYABLES

*These are made up as follows:*

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

*Details of the main items are given below.*

## Pension funds

*The amount of Euro 28,571 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. We point out that as of December 31, 2012, the pension fund of the subsidiary Sogefi Filtration Ltd shows a surplus of Euro 12,864 thousand, which was booked to "Other receivables", as explained in note 13. The net amount of the liabilities to the various pension funds as of December 31, 2012 is therefore equal to Euro 15,707 thousand, as presented in the following table which shows movements in "Pension funds" during the course of the year:*

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

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

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

*"Current service cost" and "Past service cost" are included in the various "Labour cost" lines of Income Statement items.*
*"Interest cost" and "Expected return on plan assets" are included in "Financial expenses (income), net".*
*A portion of actuarial gains for the amount of Euro 237 thousand is included in "Labour cost", whereas the remaining amount is booked to "Other non-operating expenses (income)". The profit for the previous year mainly originated from the changed limit for the value of assets for employee benefits that may be recognised in the financial statements.*
*Item "Settlements/Curtailments" is included in "Other non-operating expenses (income)" and relates to subsidiary Sogefi Filtration Ltd for the reorganisation under way at the Llantrisant plant.*

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

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

*The increase in Great Britain surplus is due to the ordinary contributions made during the year, which exceeded the related current service cost, and to the dynamics of actuarial valuations.*

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

Great Britain

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

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

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

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

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

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

France

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

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

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

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

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

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

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

*The item "Unrecognised actuarial (gains) losses" refers to the gains and losses not booked to the Income Statement as lower than the threshold of the corridor. The increase in the item compared to the previous year mainly reflects actuarial losses on the present value of French and British fund bonds after the discount rate was reduced.*

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

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

*The increase of the present value of obligations compared to the previous year is mainly due to the decrease in the discount rate of French and UK pension funds, which was only partially offset by the increase in the death rate and the decrease in the wage inflation rate experienced by UK pension funds. The effects resulting from these changes are included in "Actuarial (gains) losses recognised during the year".*
*Fluctuating exchange rates also contributed to the increase in the present value of obligations.*
*Referring to subsidiaries values in functional currency different from Euro: income statement item have been translated at the average rate of the period; the present value of the defined benefit obligation at the beginning and at the end of the period have been converted using the punctual exchange rate at the data.*

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

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

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

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

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

| | 12.31.2012 | 12.31.2011 |
|---|---|---|
| Debt instruments | 36% | 42% |
| Capital instruments | 36% | 31% |
| Cash | 22% | 20% |
| Other assets | 6% | 7% |
| TOTAL | 100% | 100% |

**Provision for employment termination indemnities (TFR)**

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

*The assumptions taken into consideration when carrying out the actuarial valuation of the "Provision for employment termination indemnities" were as follows:*
*– Macroeconomic assumptions:*
1. *discount rate: 2.05% (index IBOxx Eurozone Corporate AA) (4.25% as of December 31, 2011)*
2. *annual inflation rate: 2% (2% as of December 31, 2011)*
3. *annual increase in termination indemnity: 3% (3% as of December 31, 2011)*

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

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

*The provision changed as follows during the period:*

| *(in thousands of Euro)* | *12.31.2012* | *12.31.2011* |
|---|---|---|
| *Opening balance* | *5,679* | *5,578* |
| *Accruals for the period* | *365* | *377* |
| *Contributions paid* | *(342)* | *(276)* |
| *TOTAL* | *5,702* | *5,679* |

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

| *(in thousands of Euro)* | *2012* | *2011* |
|---|---|---|
| *Current service cost* | *80* | *77* |
| *Interest cost* | *268* | *283* |
| *Actuarial (gains) losses recognised during the year* | *17* | *17* |
| *TOTAL* | *365* | *377* |

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

**Provision for restructuring**

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

*The provision changed as follows during the period:*

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

*"Accruals for the period" refer nearly entirely to the reorganisation of production activities under way at the Llantrisant plant (engine systems).*
*"Utilisations" have been booked as reductions of provisions previously set aside for restructuring projects planned and initiated in previous years and completed or being completed mainly in the engine systems division.*

*The "Provisions not used during the period" relate to amounts previously set aside which turned out to be excessive compared with the amount actually spent.*
*Movements in the "Accruals for the period" net of the "Provisions not used during the period" occurred during the year total Euro 6,945 thousand; this figure is booked to the Income Statement under "Restructuring costs".*

## Provisions for disputes with tax authorities

*This refers to tax disputes under way with local European tax authorities, for which the appropriate provisions have been made, even though the final outcome is not yet certain.*

*The provision changed as follows during the period:*

| (in thousands of Euro) | 12.31.2012 | 12.31.2011 |
|---|---|---|
| Opening balance | 80 | 317 |
| Accruals for the period | 500 | - |
| Utilisations | (34) | (237) |
| Provisions not used during the period | - | - |
| Other changes | - | - |
| Exchange differences | - | - |
| TOTAL | 546 | 80 |

## Provision for phantom stock options

*This item amounts to Euro 30 thousand (Euro 59 thousand as of December 31, 2011) and refers to the fair value of incentive schemes providing for cash payment, known as phantom stock options, for the Managing Director of the Holding Company. The change in the provision reflects the portion of the change in fair value attributable to the period (Euro 29 thousand). The reduction in the provision has been included in the Income Statement under "Directors' and statutory auditors' remuneration". More details on the phantom stock option plans can be found in note 29.*

## Other provisions

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

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

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

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

*"Provisions not used during the period" of the item "Other risks" mainly refer to the reduction of the provisions set aside by the subsidiary LPDN GmbH to cover noise pollution risks, disputes with third parties and the economic impact of the probable requests for part-time contracts by employees who, having reached the age limits established by the law, have the right to request the company to grant said contracts.*

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

## Other payables

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

## 20. DEFERRED TAX ASSETS AND LIABILITIES

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

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

*The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate in force in Great Britain (23% as of December 31, 2012 compared to 25% the previous year).*
*The change in "Deferred tax assets (liabilities), net" compared with December 31, 2011 amounts to Euro 10,082 thousand and differs by Euro 1,310 thousand from the amount shown in the Income Statement under "Income taxes – Deferred tax liabilities (assets)" due to:*

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

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

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

*"Deferred tax assets for tax losses incurred during the year" relate to subsidiary Systèmes Moteurs S.A.S.. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.*

*As of December 31, 2012, the amount of Euro 7,109 was booked to "Deferred tax assets for tax losses incurred during previous years" relating to subsidiary Allevard Sogefi U.S.A. Inc.. Based on the revenue outlook of the company as per long-term plans, it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. The amount recognised in deferred tax assets reflects the portion that can be recovered during the explicit period of the strategic plan; the remaining past losses are shown in item "Temporary differences excluded from the calculation of deferred tax assets (liabilities )". We point out that the tax losses of the US subsidiary can be carried forward up to a 20-year limit (the first term is in year 2022).*
*This amount is added to the deferred tax assets for tax losses recorded during the previous years by subsidiaries Allevard Rejna Autosupensions S.A. (Euro 5,084 thousand), United Springs S.A.S. (Euro 1,031 thousand), Sogefi Filtration S.A. (Euro 2,308 thousand) and Sogefi Filtration Ltd (Euro 3,416 thousand). These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past. It should also be noted that the losses incurred by the UK subsidiary can be carried forward indefinitely and those of the Spanish subsidiary must be utilised within 2028. The losses of the French subsidiary can be carried forward indefinitely but the new law passed in 2012 has maintained a limit for the amount that can be utilised each year, making recovery time longer.*

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

*As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities)", deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. "Tax losses carried forward" mainly relate to subsidiary Allevard Sogefi U.S.A., Inc. (portion of losses not recognised in deferred tax assets because it can not be recovered in the explicit period of the long-term plan, as mentioned above), to the Chinese and Indian subsidiaries and to the French subsidiaries of the Suspension Components Division.*
*The increase in "Tax losses carried forward" is mainly traced back to the losses of subsidiary Sogefi Filtration Ltd. No deferred tax assets were recognised for these losses because the cash flows for the explicit period of the company's long-term plan only allow for the recovery of the deferred tax assets recognised during previous years.*
*Item "Other" mainly relates to subsidiaries Allevard Sogefi Usa Inc. and Shanghai Sogefi Auto Parts Co. Ltd and reflects temporary differences in the value of tangible and intangible fixed assets.*

## 21. SHARE CAPITAL AND RESERVES

### Share capital

*The share capital of the Holding Company Sogefi S.p.A. is fully paid in and amounts to Euro 60,712 thousand as of December 31, 2012 (Euro 60,665 thousand as of December 31, 2011), split into 116,753,392 ordinary shares with a par value of Euro 0.52 each.*

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

*Movements in the shares outstanding are as follows:*

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

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

| *(in thousands of Euro)* | *Share capital* | *Share premium reserve* | *Reserve for treasury shares* | *Treasury shares* | *Translation reserve* |
|---|---|---|---|---|---|
| Balance at December 31, 2010 | 60,546 | 14,639 | 5,007 | (5,007) | 8,129 |
| *Paid share capital increase* | *119* | *190* | - | - | - |
| *Allocation of 2010 net profit:* | | | | | |
| *Legal reserve* | - | - | - | - | - |
| *Dividends* | - | - | - | - | - |
| *Retained earnings* | - | - | - | - | - |
| *Net purchase of treasury shares* | - | *(2,684)* | *2,684* | *(2,684)* | - |
| *Credit to equity for stock-based incentive plans* | - | - | - | - | - |
| *Other changes* | - | - | - | - | - |
| *Fair value measurement of financial assets available for sale* | - | - | - | - | - |
| *Fair value measurement of cash flow hedging instruments: share booked to equity* | - | - | - | - | - |
| *Fair value measurement of cash flow hedging instruments: share booked to income statement* | - | - | - | - | - |
| *Tax on items booked in Other Comprehensive Income* | - | - | - | - | - |
| *Currency translation differences* | - | - | - | - | *(4,408)* |
| *Net result for the period* | - | - | - | - | - |
| Balance at December 31, 2011 | 60,665 | 12,145 | 7,691 | (7,691) | 3,721 |
| *Paid share capital increase* | *47* | *47* | - | - | - |
| *Allocation of 2011 net profit:* | | | | | |
| *Legal reserve* | - | - | - | - | - |
| *Dividends* | - | - | - | - | - |
| *Retained earnings* | - | - | - | - | - |
| *Net purchase of treasury shares* | - | *(1,396)* | *1,396* | *(1,396)* | - |
| *Credit to equity for stock-based incentive plans* | - | - | - | - | - |
| *Other changes* | - | - | - | - | - |
| *Fair value measurement of financial assets available for sale* | - | - | - | - | - |
| *Fair value measurement of cash flow hedging instruments: share booked to equity* | - | - | - | - | - |
| *Fair value measurement of cash flow hedging instruments: share booked to income statement* | - | - | - | - | - |
| *Tax on items booked in Other Comprehensive Income* | - | - | - | - | - |
| *Currency translation differences* | - | - | - | - | *(10,351)* |
| *Net result for the period* | - | - | - | - | - |
| Balance at December 31, 2012 | 60,712 | 10,796 | 9,087 | (9,087) | (6,630) |

| Legal reserve | Cash flow hedging reserve | Stock-based incentive plans reserve | Tax on items booked in Other Comprehensive Income | Other reserves | Retained earnings | Net result for the period | Total |
|---|---|---|---|---|---|---|---|
| 12,320 | (2,426) | 1,708 | 668 | 3,113 | 79,723 | 18,821 | 197,241 |
| - | - | - | - | - | - | - | 309 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | (14,888) | - | (14,888) |
| - | - | - | - | - | 18,821 | (18,821) | - |
| - | - | - | - | - | - | - | (2,684) |
| - | - | 611 | - | - | - | - | 611 |
| - | - | - | - | - | (121) | - | (121) |
| - | - | - | - | (2) | - | - | (2) |
| - | (7,987) | - | - | - | - | - | (7,987) |
| - | 1,255 | - | - | - | - | - | 1,255 |
| - | - | - | 1,854 | - | - | - | 1,854 |
| - | - | - | - | - | - | - | (4,408) |
| - | - | - | - | - | - | 24,046 | 24,046 |
| 12,320 | (9,158) | 2,319 | 2,522 | 3,111 | 83,535 | 24,046 | 195,226 |
| - | - | - | - | - | - | - | 94 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | (14,716) | - | (14,716) |
| - | - | - | - | - | 24,046 | (24,046) | - |
| - | - | - | - | - | - | - | (1,396) |
| - | - | 1,233 | - | - | - | - | 1,233 |
| - | - | - | - | - | (63) | - | (63) |
| - | - | - | - | - | - | - | - |
| - | (7,491) | - | - | - | - | - | (7,491) |
| - | 2,121 | - | - | - | - | - | 2,121 |
| - | - | - | 1,476 | - | - | - | 1,476 |
| - | - | - | - | - | - | - | (10,351) |
| - | - | - | - | - | - | 29,325 | 29,325 |
| 12,320 | (14,528) | 3,552 | 3,998 | 3,111 | 92,802 | 29,325 | 195,458 |

## Share premium reserve

*It amounts to Euro 10,796 thousand compared with Euro 12,145 thousand in the previous year.*
*The increase by Euro 47 thousand accounts for share subscriptions under stock option plans.*
*On April 19, 2012, the Shareholders' Meeting authorised the purchase of treasury shares and the Holding Company Sogefi S.p.A. purchased 728,095 shares at an unit average price of Euro 1.92 each in 2012.*
*The Holding Company set up the "Reserve for treasury shares" under art. 2357-ter of the Italian Civil Code using the "Share premium reserve".*

## Treasury shares

*Item "Treasury shares" reflects the purchase price of treasury shares held in portfolio. Movements during the year amount to Euro 1,396 thousand and reflect treasury share purchases occurred in 2012 as reported in the note to "Share premium reserve".*

## Translation reserve

*This reserve is used to record the exchange differences arising on the translation of foreign subsidiaries' financial statements.*
*Movements in the period show a decrease of Euro 10,351 thousand mainly attributable to the depreciation of the Brazilian real against the Euro.*

## Cash flow hedging reserve

*This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as "cash flow hedging instruments". Changes during the period show a decrease of Euro 5,370 thousand.*

## Stock-based incentive plans reserve

*The reserve refers to the credit to equity for stock-based incentive plans, assigned to employees, resolved after November 7, 2002, including the portion relating to the stock grant plan approved in 2012.*

## Retained earnings

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

Tax on items booked in Other Comprehensive Income

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

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

## *NON-CONTROLLING INTERESTS*

*The balance amounts to Euro 19,837 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.*
*The increase of Euro 111 thousand mainly arises from the change in the percentage held in the subsidiary S.ARA Composite S.A.S..*

## 22. ANALYSIS OF THE NET FINANCIAL POSITION

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

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

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

- *loan of Euro 100 million from Unicredit S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than 4;*
- *loan of Euro 40 million from Banca Europea degli Investimenti (BEI): the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *loan of Euro 60 million from Intesa Sanpaolo S.p.A.: the ratio of the consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5;*
- *loan of Euro 25 million from Banca Carige S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *loan of Euro 10 million from GE Capital S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *loan of Euro 25 million from Monte dei Paschi di Siena S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *2012 syndicated loan of Euro 200 million: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;*
- *loan of Euro 15 million from Banco do Brasil S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4.*

*As of December 31, 2012 the Company was in compliance with these covenants.*