

A) GENERAL ASPECTS

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

SOGEFI is present in 3 continents and 18 countries, with 58 locations, of which 43 are production sites. It is a multinational group and a partner of the world's largest motor vehicle manufacturers.

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

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

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

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document.

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

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

The Consolidated Financial Statements as of December 31, 2012 were approved by the Board of Directors of the Holding Company Sogefi S.p.A. on February 26, 2013.

1.1 Format of the consolidated financial statements

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

Consolidated Statement of Financial Position

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

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

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

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

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

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

Consolidated Income Statement

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

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

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

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

In other words, by way of example, the “Operating result” (in the meaning used by the Group) is not affected by non-recurring expenses and income (such as Restructuring costs, voluntary redundancy incentives, gains or losses on disposals) or by charges or income that are not related to normal business operations, such as tax charges that are the result of different fiscal policies that the various countries adopt for common budgetary purposes

by applying a variable mix of direct and indirect taxes (determined mainly according to financial or economic parameters) depending on their own socio-economic characteristics (for example, Italy's Municipal Real Estate Tax or the Cotisation Economique Territoriale in France). Similarly, the "Operating result" does not include exchange gains and losses as they are considered more a part of foreign exchange management.

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

Consolidated Statement of Other Comprehensive Income

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

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

Consolidated Cash Flow Statement

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

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

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

Consolidated Statement of Changes in Equity

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

1.2 Content of the consolidated financial statements

The consolidated financial statements as of December 31, 2012 include the Holding Company Sogefi S.p.A. and the directly or indirectly controlled subsidiaries.

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

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

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

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

- the subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in the subsidiary S.ARA Composite S.A.S. from 86.67% to 90% (percentage values refer to subscribed capital fully paid in), through share capital increases of Euro 2,500 thousand;*
- the subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in the subsidiary Allevard IAI Suspensions Pvt Ltd from 51% to 54.91% through share capital increases of Euro 451 thousand;*
- the subsidiary Systèmes Moteurs S.A.S. increased its percentage of ownership in the subsidiary S.C. Systemes Moteurs S.r.l. from 99% to 99.9997%; the subsidiary Sogefi Filtration S.A. increased its percentage of ownership in the subsidiary S.C. Systemes Moteurs S.r.l. from 0% to 0.0003%;*
- the Holding Company Sogefi S.p.A. increased its percentage of ownership in the subsidiary Allevard Rejna Autosuspensions S.A. from 99.987% to 99.99%;*
- the Holding Company Sogefi S.p.A. established Sogefi (Suzhou) Auto Parts Co., Ltd (China). The company had not started operations at the end of year 2012 yet, and it will be active in the suspension and engine system components sectors.*

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

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

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