

**2010**

BOARD OF DIRECTORS REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS

(Translation into English of the original Italian version)



## OVERVIEW OF GROUP RESULTS

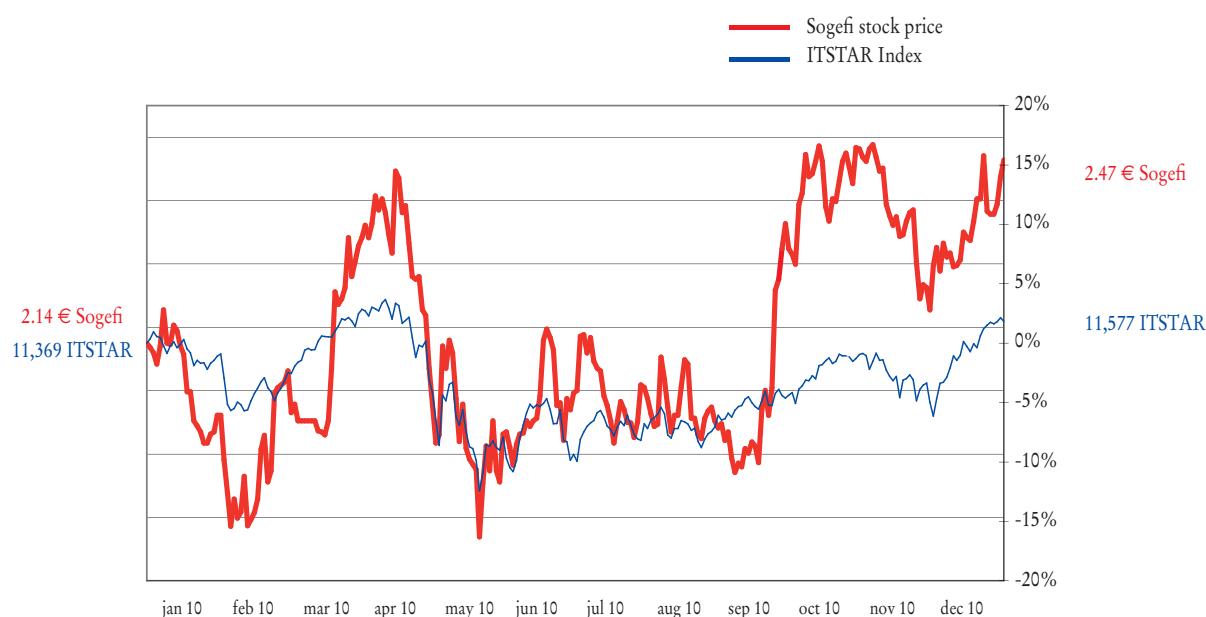
(in millions of Euro)	2007		2008		2009		2010	
	Amount	%	Amount	%	Amount	%	Amount	%
Sales revenues	1,071.8	100.0%	1,017.5	100.0%	781.0	100.0%	924.7	100.0%
EBITDA	134.6	12.6%	104.9	10.3%	47.2	6.0%	86.7	9.4%
Operating result	113.6	10.6%	87.6	8.6%	33.7	4.3%	67.5	7.3%
Ebit	89.9	8.4%	62.4	6.1%	5.1	0.6%	41.8	4.5%
Result before taxes and non-controlling interests	80.6	7.5%	48.2	4.7%	(5.6)	-0.7%	32.4	3.5%
Net result	52.2	4.9%	28.5	2.8%	(7.6)	-1.0%	18.8	2.0%
Self-financing	94.8		66.3		34.8		55.3	
Free cash flow	55.9		(6.9)		90.0		6.1	
Net financial position	(92.4)		(257.2)		(170.2)		(164.9)	
Total shareholders' equity	326.7		178.3		182.2		214.4	
GEARING	0.28		1.44		0.93		0.77	
ROI	21.4%		14.6%		1.3%		11.4%	
ROE	17.7%		12.1%		-4.7%		10.3%	
Number of employees at December 31	6,208		6,100		5,770		5,574	
Dividends per share (Euro)	0.22	(*)	-		-		0.13	(**)
EPS (Euro)	0.465		0.250		(0.067)		0.165	
Average annual price per share	6.5352		2.8443		1.2986		2.1410	

(\*) plus € 1.18 as extraordinary dividend per share

(\*\*) as proposed by the Board of Directors to the Shareholders' Meeting

## STOCK PERFORMANCE

The graph below shows the performance of Sogefi stock and of the ITSTAR index, from January to December 2010.



## REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS IN 2010

Shareholders,

*in 2010, the Group's 30th year of operations, following the significant crisis that started in the latter part of 2008, the recovery of vehicle production in all major world markets set the foundations for a return to net profit and for a further improvement of the net financial position resulting from a substantial upturn in business.*

*In the year, consolidated revenues totalled €924.7 million, up 18.4% compared to the 781 million recorded in 2009; consolidated net profit was €18.8 million, against a loss of 7.6 million last year and the net financial indebtedness fell to €164.9 million from 170.2 million at the end of 2009.*

*In the European automobile market, new vehicle registrations showed a two-speed trend by increasing in the first quarter but then dropping sharply between April and December as a result of the progressive expiry of government incentives. The overall trend for the year was therefore negative (-5.5%) compared to the previous year. As mentioned previously, the number of vehicles manufactured rose mainly due to the end of the destocking phenomena of 2009, in addition to the increase in production in Germany as a result of the increasing demand for high-segment vehicles from new Eastern markets.*

*The North American automobile market is showing signs of recovery after having faced the worst crisis in its history, while the South American market continued to advance (+15%).*

*In 2010, China overtook the USA in terms of both production and sales, becoming, as expected, the leading world automobile market, with sales of over 17 million cars (+33% against the previous year), and the main market for important manufacturers such as Audi, BMW, Toyota and GM.*

*The Indian market is also growing fast, achieving an average annual growth rate of 19% over the past five years, while the Japanese market continues to fall, after the end of government incentives for the purchase of environmentally friendly vehicles.*

*In Europe, the industrial vehicles sector continued to record the critical levels of 2009 until August, after which the quantities of vehicles manufactured started to rise, although far from the record levels of 2007.*

*Sogefi's performance in the various sectors and markets in which it operates was substantially in line with the above-illustrated trends, as the figures below show.*

(in millions of Euro)	2010		2009	
	Amount	%	Amount	%
France	207.4	22.4	189.8	24.3
Germany	119.9	13.0	103.9	13.3
Great Britain	79.0	8.5	66.2	8.5
Italy	71.6	7.7	68.5	8.8
Benelux	47.4	5.1	38.8	4.9
Spain	36.5	3.9	39.1	5.0
Other European Countries	94.2	10.3	86.4	11.1
Mercosur	219.4	23.7	153.0	19.6
United States	18.6	2.0	15.0	1.9
China	12.6	1.4	6.8	0.9
India	9.7	1.0	6.0	0.8
Russia	3.3	0.4	3.4	0.4
Rest of the World	5.1	0.6	4.1	0.5
TOTAL	924.7	100.0	781.0	100.0

The above figures show how the Group makes over 29% of its revenues in non-European markets, with Mercosur representing its largest market, surpassing France in 2010. Revenues in China and India almost doubled in comparison to 2009, while those in the USA rose by 24.5%.

The original equipment sector benefited particularly from the recovery, representing 66% of revenues.

(in millions of Euro)	2010		2009	
	Amount	%	Amount	%
Original Equipment (O.E.)	610.4	66.0	480.8	61.6
Independent Aftermarket (I.A.M.)	204.8	22.1	193.1	24.7
Original Equipment Spares (O.E.S.)	109.5	11.9	107.1	13.7
TOTAL	924.7	100.0	781.0	100.0

As a result, the Suspension Division most benefited from this, as their sales are mostly addressed to supplying the original equipment sector.

(in millions of Euro)	2010		2009	
	Amount	%	Amount	%
Filter	465.1	50.3	414.8	53.1
Suspension	461.6	49.9	368.0	47.1
Intercompany eliminations	(2.0)	(0.2)	(1.8)	(0.2)
TOTAL	924.7	100.0	781.0	100.0

In 2010, revenues were positively influenced by the upward trend of French customers, as shown in the table below. Business with Ford, Daimler and Volkswagen also progressed, while sales to Toyota fell.

With regard to industrial vehicles, a marked rise in demand from the earth-moving equipment manufacturer Caterpillar was recorded, as well as from MAN.

<i>(in millions of Euro)</i>	2010		2009	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>Group</i>				
<i>PSA</i>	121.1	13.1	94.0	12.0
<i>Renault/Nissan</i>	105.3	11.4	95.8	12.3
<i>Ford</i>	80.5	8.7	62.9	8.1
<i>Fiat/Iveco/Chrysler</i>	76.8	8.3	72.4	9.3
<i>Daimler</i>	64.3	7.0	46.5	6.0
<i>Volkswagen/Audi</i>	55.2	6.0	47.5	6.1
<i>GM</i>	32.4	3.5	29.0	3.7
<i>Volvo</i>	22.0	2.4	18.0	2.3
<i>DAF/Paccar</i>	18.7	2.0	13.6	1.7
<i>Man</i>	14.9	1.6	6.9	0.9
<i>Toyota</i>	13.6	1.5	14.1	1.8
<i>Honda</i>	8.1	0.9	6.8	0.9
<i>Caterpillar</i>	6.6	0.7	3.2	0.4
<i>BMW</i>	5.9	0.6	4.6	0.6
<i>Other</i>	299.3	32.3	265.7	33.9
<b>TOTAL</b>	<b>924.7</b>	<b>100.0</b>	<b>781.0</b>	<b>100.0</b>

*A breakdown of revenues by product line shows the increased importance of suspension products, even though oil filters continue to generate the highest levels of revenues.*

<i>(in millions of Euro)</i>	2010		2009	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>Oil filters</i>	202.6	21.9	194.5	24.9
<i>Stabilizer bars</i>	190.8	20.6	153.6	19.7
<i>Coil springs</i>	137.2	14.8	115.7	14.8
<i>Air filters</i>	116.9	12.6	105.0	13.4
<i>Diesel filters</i>	90.5	9.8	62.7	8.0
<i>Leaf springs</i>	65.8	7.1	39.2	5.0
<i>Petrol filters</i>	20.8	2.3	18.8	2.4
<i>Precision springs</i>	19.2	2.1	17.3	2.2
<i>Torsion bars</i>	15.2	1.6	14.9	1.9
<i>Cabin filters</i>	14.1	1.5	13.9	1.8
<i>Stabilinks</i>	13.9	1.5	8.4	1.1
<i>Railway</i>	9.6	1.1	10.0	1.3
<i>Other</i>	28.1	3.1	27.0	3.5
<b>TOTAL</b>	<b>924.7</b>	<b>100.0</b>	<b>781.0</b>	<b>100.0</b>

*Profitability indicators show an improvement on the previous year, as shown in the table below that compares 2010 and 2009.*

<i>(in millions of Euro)</i>	2010		2009	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>Sales revenues</i>	924.7	100.0	781.0	100.0
<i>Variable cost of sales</i>	622.9	67.4	529.8	67.8
<b>CONTRIBUTION MARGIN</b>	<b>301.8</b>	<b>32.6</b>	<b>251.2</b>	<b>32.2</b>
<i>Manufacturing and R&amp;D overheads</i>	98.6	10.6	90.4	11.6
<i>Depreciation and amortization</i>	44.9	4.9	42.1	5.4
<i>Distribution and sales fixed expenses</i>	32.4	3.5	31.1	4.0
<i>Administrative and general expenses</i>	58.4	6.3	53.9	6.9
<b>OPERATING RESULT</b>	<b>67.5</b>	<b>7.3</b>	<b>33.7</b>	<b>4.3</b>
<i>Restructuring costs</i>	12.0	1.3	17.2	2.2
<i>Losses (gains) on disposal</i>	(0.5)	-	1.2	0.2
<i>Exchange (gains) losses</i>	0.2	-	0.8	0.1
<i>Other non-operating expenses (income)</i>	14.0	1.5	9.4	1.2
<b>EBIT</b>	<b>41.8</b>	<b>4.5</b>	<b>5.1</b>	<b>0.6</b>
<i>Financial expenses (income), net</i>	9.6	1.0	10.8	1.4
<i>Losses (gains) from equity investments</i>	(0.2)	-	(0.1)	(0.1)
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>	<b>32.4</b>	<b>3.5</b>	<b>(5.6)</b>	<b>(0.7)</b>
<i>Income taxes</i>	11.6	1.3	0.7	0.1
<b>NET RESULT BEFORE NON-CONTROLLING INTERESTS</b>	<b>20.8</b>	<b>2.2</b>	<b>(6.3)</b>	<b>(0.8)</b>
<i>Loss (income) attributable to non-controlling interests</i>	(2.0)	(0.2)	(1.3)	(0.2)
<b>GROUP NET RESULT</b>	<b>18.8</b>	<b>2.0</b>	<b>(7.6)</b>	<b>(1.0)</b>

The consolidated contribution margin rose from € 251.2 million (32.2% of sales) in 2009 to 301.8 million (32.6% of sales), even though the percentage represented by the cost of materials rose from 45.5% to 46%.

The personnel cost was € 227.1 million (24.6% of sales) against 204.6 million (26.2% of sales) in line with the higher levels of production.

At December 31, 2010, active employees (including temporary workers and excluding employees subject to flexible arrangements) totalled 5,841, recording a 2% rise compared to the 5,725 employees at the end of 2009.

At December 31, 2010, the Group's workforce consisted of 5,574 employees, compared to 5,770 as of December 31, 2009, broken down as follows:

	12.31.2010		12.31.2009	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
<i>Filter</i>	3,170	56.9	3,400	58.9
<i>Suspension</i>	2,347	42.1	2,312	40.1
<i>Other</i>	57	1.0	58	1.0
<b>TOTAL</b>	<b>5,574</b>	<b>100.0</b>	<b>5,770</b>	<b>100.0</b>

with the following breakdown by category:

	12.31.2010		12.31.2009	
	Number	%	Number	%
Managers	87	1.6	88	1.5
Clerical staff	1,304	23.4	1,329	23.0
Direct blue collar workers	3,330	59.7	3,462	60.0
Indirect blue collar workers	853	15.3	891	15.5
<b>TOTAL</b>	<b>5,574</b>	<b>100.0</b>	<b>5,770</b>	<b>100.0</b>

Total fixed costs, including personnel cost, were € 234.2 million, up 7.7% compared to 217.5 million recorded in 2009.

Reorganisation efforts continued during the year, running up total costs of € 12 million (17.2 million in 2009).

**Consolidated EBITDA** (earnings before interest, tax, depreciation and amortisation) was € 86.7 million (9.4% of sales), an improvement of 83.6% compared to 47.2 million recorded in the previous year (6% of sales). Similarly, **consolidated EBIT** (earnings before interest and tax) rose to € 41.8 million (4.5% of sales) from 5.1 million (0.6% of sales) in 2009.

During the year, the **result before taxes and non-controlling interests** recorded a profit of € 32.4 million, while in 2009 it had recorded a loss of € 5.6 million. Similarly, the **consolidated net result** was € 18.8 million (2% of sales), while it had recorded a loss of € 7.6 million in the previous year.

Even with the contribution of higher business volumes and new investments of € 36 million (34.3 million in the previous year), at the end of 2010, the Group's **net financial indebtedness** fell to € 164.9 million from 170.2 million recorded as of December 31, 2009 (-3.1%).

The tables below provide a breakdown of the net financial position and trends in cash flows:

(in millions of Euro)	12.31.2010	12.31.2009
Cash, banks, financial receivables and securities held for trading	67.0	111.6
Medium/long-term financial receivables	-	0.1
Short-term financial debts (*)	(78.9)	(72.7)
Medium/long-term financial debts	(153.0)	(209.2)
<b>NET FINANCIAL POSITION</b>	<b>(164.9)</b>	<b>(170.2)</b>

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

Trends in cash flows during the year are illustrated in the table below:

(in millions of Euro)	Note*	2010	2009
<b>SELF-FINANCING</b>	(f)	55.3	34.8
Change in net working capital		(15.4)	85.4
Other medium/long-term assets/liabilities	(g)	0.7	0.8
<b>CASH FLOW GENERATED BY OPERATIONS</b>		<b>40.6</b>	<b>121.0</b>
Sale of equity investments	(h)	0.1	-
Net decrease from sale of fixed assets	(i)	0.7	1.5
<b>TOTAL SOURCES</b>		<b>41.4</b>	<b>122.5</b>
Increase in intangible assets		11.7	11.8
Purchase of tangible assets		24.3	22.5
Purchase of equity investments		-	-
<b>TOTAL APPLICATION OF FUNDS</b>		<b>36.0</b>	<b>34.3</b>
Net financial position of subsidiaries purchased/sold during the year		-	-
Exchange differences on assets/liabilities and equity	(l)	0.7	1.8
<b>FREE CASH FLOW</b>		<b>6.1</b>	<b>90.0</b>
Holding Company increases in capital		0.3	-
Net purchase of treasury share		-	-
Increases in share capital of consolidated subsidiaries		0.9	-
Dividends paid by the Holding Company to shareholders		-	-
Dividends paid by subsidiaries to non-controlling interests		(2.0)	(3.0)
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>		<b>(0.8)</b>	<b>(3.0)</b>
Change in net financial position	(m)	5.3	87.0
Opening net financial position	(m)	(170.2)	(257.2)
<b>CLOSING NET FINANCIAL POSITION</b>	<b>(m)</b>	<b>(164.9)</b>	<b>(170.2)</b>

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

During the year, the consolidated capital structure further strengthened and consolidated equity as of December 31, 2010 was € 197.2 million, compared to 166.8 million at the end of 2009, as illustrated in the table below:

(in millions of Euro)	Note*	12.31.2010		12.31.2009	
		Amount	%	Amount	%
Short-term operating assets	(a)	262.2		231.0	
Short-term operating liabilities	(b)	(218.4)		(204.5)	
Net working capital		43.8	11.5	26.5	7.5
Equity investments	(c)	0.4	0.1	0.5	0.2
Intangible, tangible fixed assets and other medium and long-term assets	(d)	409.8	108.1	407.6	115.6
<b>CAPITAL INVESTED</b>		<b>454.0</b>	<b>119.7</b>	<b>434.6</b>	<b>123.3</b>
Other medium and long-term liabilities	(e)	(74.7)	(19.7)	(82.2)	(23.3)
<b>NET CAPITAL INVESTED</b>		<b>379.3</b>	<b>100.0</b>	<b>352.4</b>	<b>100.0</b>
Net financial indebtedness		164.9	43.5	170.2	48.3
Non-controlling interests		17.2	4.5	15.4	4.4
Consolidated equity of the Group		197.2	52.0	166.8	47.3
<b>TOTAL</b>		<b>379.3</b>	<b>100.0</b>	<b>352.4</b>	<b>100.0</b>

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

At the end of 2010, the gearing (net financial position/total equity ratio) stood at 0.77, an improvement on the 0.93 recorded at the end of 2009.



The net financial position/normalised EBITDA (excluding costs and revenues from non-ordinary operations) ratio also improved (1.67) on that as of December 31, 2009 (2.64).

ROI (return on investment) in 2010 was equal to 11.4% (1.3% in 2009), while ROE (return on equity) became positive again, recording a figure of 10.3% (-4.7% in the previous year).

As already mentioned, in 2010, new technical investments rose slightly compared to the previous year and were mostly addressed to increasing production capacity in non-European markets with a high growth in the demand for components.

Following the significant fall in 2009, the research and development activities for products and processes rose to € 20.2 million up by 9.6% in 2010, and were aimed at the development of products that meet the demand of car manufacturers for lightness and ecological compatibility.

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

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

##### Net result for the year

(in millions of Euro)	2010	2009
Net result per Sogefi S.p.A. financial statements	12.4	33.4
Group share of results of subsidiary companies included in the consolidated financial statements	25.5	(0.7)
Gains on disposal of equity investments in Sogefi S.p.A.	(6.5)	-
Elimination of intercompany dividends received by Sogefi S.p.A.	(12.1)	(40.0)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	(0.5)	(0.3)
<b>NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>18.8</b>	<b>(7.6)</b>

##### Shareholders' equity

(in millions of Euro)	12.31.2010	12.31.2009
Shareholders' equity per Sogefi S.p.A. financial statements	177.5	163.7
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	18.9	1.8
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	0.8	1.3
<b>SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS</b>	<b>197.2</b>	<b>166.8</b>

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

In 2010, the Holding Company, Sogefi S.p.A. recorded a net profit of € 12.4 million, down 62.7% on the € 33.4 million recorded the previous year.

The decrease is mainly due to a lower flow of dividends from subsidiaries, amounting to € 27.9 million, partly offset by capital gains of € 6.5 million, allocated under “Other non-operating income (expenses)”, recorded in December 2010 following the sale of equity investments in Sogefi Filtration A.B. and Sogefi Filtration B.V. to the subsidiary Filtrauto S.A..

The € 3.1 million increase, compared to 2009, in “Operating costs” was totally offset by a € 1.8 million reduction in net financial expenses and a € 1.9 million increase in operating revenues.

(in millions of Euro)	2010	2009
Financial income/expenses and dividends	9.4	35.5
Adjustments to financial assets	-	-
Other operating revenues	11.7	9.8
Operating costs	(16.7)	(13.6)
Other non-operating income (expenses)	6.5	0.1
RESULT BEFORE TAXES	10.9	31.8
Income taxes	(1.5)	(1.6)
NET RESULT	12.4	33.4

As regards the **statement of financial position**, the table below shows the main items as of December 31, 2010, compared with the figures recorded at the end of the previous year:

(in millions of Euro)	Note*	12.31.2010	12.31.2009
Short-term assets	(n)	5.5	4.9
Short-term liabilities	(o)	(4.3)	(4.0)
Net working capital		1.2	0.9
Equity investments	(p)	268.9	271.9
Other fixed assets	(q)	28.5	28.6
CAPITAL INVESTED		298.6	301.4
Other medium and long-term liabilities	(r)	(1.6)	(1.6)
NET CAPITAL INVESTED		297.0	299.8
Net financial indebtedness		119.5	136.1
Shareholders' equity		177.5	163.7
TOTAL		297.0	299.8

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

The decrease of the item “Equity investments” mainly refers to the effect of the above-cited sale of shares held in Sogefi Filtration A.B. and Sogefi Filtration B.V. to the subsidiary company Filtrauto S.A. partially offset by capital increases made in the Chinese subsidiary Shanghai Sogefi Auto Parts Co.,Ltd for € 2.2 million.

“Shareholders' equity” as of December 31, 2010 has increased, totalling € 177.5 million (€ 163.7 million as of December 31, 2009) mainly due to the result for the year.

The net financial indentedness as of December 31, 2010 amounted to € 119.5 million, with a positive variance of 12.2% compared to December 31, 2009.

Looking at the net financial position below, it can be seen how the cash and cash equivalents available at December 31, 2009 were mainly used to reduce the debt relating to the syndicated revolving loan maturing in June 2013.

(in millions of Euro)	12.31.2010	12.31.2009
Short-term cash investments	14.8	62.7
Medium/long-term financial receivables to third and subsidiaries	114.1	119.6
Short-term financial debts (*)	(113.3)	(120.3)
Medium/long-term financial debts	(135.1)	(198.1)
<b>NET FINANCIAL POSITION</b>	<b>(119.5)</b>	<b>(136.1)</b>

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

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

(in millions of Euro)	Note*	2010	2009
<b>SELF-FINANCING</b>	(s)	12.5	33.2
Change in net working capital		(0.3)	1.3
Other medium/long term assets/liabilities	(t)	1.2	-
<b>CASH FLOW GENERATED BY OPERATIONS</b>		<b>13.4</b>	<b>34.5</b>
Sale of equity investments	(u)	5.4	-
<b>TOTAL SOURCES</b>		<b>18.8</b>	<b>34.5</b>
Increase in intangible assets		0.1	0.1
Purchase of tangible assets		-	0.1
Purchase of equity investments		2.4	7.5
<b>TOTAL APPLICATION OF FUNDS</b>		<b>2.5</b>	<b>7.7</b>
<b>FREE CASH FLOW</b>		<b>16.3</b>	<b>26.8</b>
Holding Company increases in capital		0.3	-
Net purchase of treasury shares		-	-
Dividends paid by the Holding Company		-	-
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>		<b>0.3</b>	<b>-</b>
Change in net financial position	(v)	16.6	26.8
Opening net financial position	(v)	(136.1)	(162.9)
<b>CLOSING NET FINANCIAL POSITION</b>	<b>(v)</b>	<b>(119.5)</b>	<b>(136.1)</b>

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

In 2010, Free Cash Flow generated was € 16.3 million, marking a decrease of 39.1% compared to the previous year. The above cited decrease was partly due to the lower profitability compared to the previous year, partially offset by the positive net flow resulting from the sales of equity investments mentioned previously.

## PERFORMANCE BY BUSINESS DIVISION

### FILTER DIVISION

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

#### KEY ECONOMIC DATA

(in millions of Euro)	2007	2008	2009	2010	var. '10 vs '09
Sales revenues	548.2	497.5	414.8	465.1	12.1%
EBITDA	67.8	44.0	27.1	39.2	44.9%
Operating result	57.7	43.2	22.1	35.8	62.2%
EBIT	49.1	26.6	9.7	19.4	100.6%
Net result	33.3	16.6	5.0	12.1	142.0%

#### KEY FINANCIAL DATA

(in millions of Euro)	2007	2008	2009	2010	var. '10 vs '09
Shareholders' equity	142.9	122.1	116.2	111.7	-3.9%
Net financial surplus (indebtedness)	25.9	(4.5)	30.3	2.3	-92.4%

#### OTHER INDICATORS

	2007	2008	2009	2010	var. '10 vs '09
Number of employees	3,629	3,516	3,400	3,170	-6.8%

The performance in 2010 of the filter business in two main areas in which the division operates is analysed in the table below:

(in millions of Euro)	FILTER DIVISION EUROPE		FILTER DIVISION SOUTH AMERICA		Other entities	Interc. elimin.	TOTAL FILTER DIVISION	
	Amount	%	Amount	%			Amount	%
Sales revenues	329.6	100.0	115.5	100.0	22.4	(2.4)	465.1	100.0
Operating result	19.1	5.8	14.8	12.8	2.0	(0.1)	35.8	7.7
EBIT	4.3	1.3	13.3	11.5	1.9	(0.1)	19.4	4.2
Result before taxes	12.3	3.6	13.1	11.3	1.6	(9.0)	18.0	3.9
Net result	11.5	3.5	9.2	8.0	0.9	(9.5)	12.1	2.6
Net financial surplus (indebtedness)	1.9		2.2		(1.8)	-	2.3	
Shareholders' equity	116.5		31.7		9.5	(46.0)	111.7	
Number of employees at December 31	2,178		767		225	-	3,170	

The Division recorded a rise in consolidated revenues of 12.1%, recording € 465.1 million compared to the 414.8 million of 2009.

Revenues in South America (+28.8%), USA (+245.9%) and India (+48.7%) rose significantly. The recovery impacted both the original equipment (+28.6%) and aftermarket segments (independent +6.2% and original equipment spares +3.5%).

Profitability also improved: operating profit rising to € 35.8 million (7.7% of sales) from the previous 22.1 million (5.3% of sales), the Division's EBITDA was € 39.2 million (8.4% of sales), up 44.9% compared to the 27.1 million (6.5% of sales) recorded last year. During the year, the French production plant of Louvigné was closed. Aftermarket spare parts distribution in Holland was restructured, in view of a reorganisation of logistics operations in Europe.

The Division's shareholders' equity as of December 31, 2010 was € 111.7 million compared to 116.2 million recorded at the end of the previous year. The net financial position showed a surplus of € 30.3 million in 2009, and 2.3 million at the end of 2010 following the purchase of Dutch and Swedish companies from the Holding Company Sogefi S.p.A. by Filtrauto S.A..

At the end of the year, the Filter Division employed 3,170 people, down 230 employees compared to the figure of 3,400 at the end of 2009.

## SUSPENSION DIVISION

The table below provides the key figures and economic and financial indicators achieved by the Division in 2010 and in the previous three years:

### KEY ECONOMIC DATA

(in millions of Euro)	2007	2008	2009	2010	var. '10 vs '09
Sales revenues	524.6	521.9	368.0	461.6	25.4%
EBITDA	75.8	64.5	24.0	52.1	116.9%
Operating result	58.8	47.5	15.0	35.9	138.9%
EBIT	50.3	40.2	(0.1)	27.5	n.a.
Net result	25.5	18.7	(5.3)	13.7	n.a.

### KEY FINANCIAL DATA

(in millions of Euro)	2007	2008	2009	2010	var. '10 vs '09
Shareholders' equity	134.0	134.1	120.4	139.1	15.5%
Net financial surplus (indebtedness)	(89.5)	(89.8)	(63.0)	(46.9)	25.5%

### OTHER INDICATORS

	2007	2008	2009	2010	var. '10 vs '09
Number of employees	2,544	2,558	2,312	2,347	1.5%

A breakdown of the two main sectors is provided below:

(in millions of Euro)	CAR AND PRECISION SPRINGS		INDUSTRIAL VEHICLES		Interc. elimin.	TOTAL SUSPENSION DIVISION	
	Amount	%	Amount	%		Amount	%
Sales revenues	392.2	100.0	69.5	100.0	(0.1)	461.6	100.0
Operating result	23.4	6.0	12.4	17.9	0.1	35.9	7.8
EBIT	15.1	3.8	12.4	17.9	-	27.5	6.0
Result before taxes	15.5	4.0	12.4	17.9	(5.5)	22.4	4.9
Net result	10.5	2.7	8.4	12.1	(5.2)	13.7	3.0
Net financial surplus (indebtedness)	(62.1)		15.2		-	(46.9)	
Shareholders' equity	136.7		24.1		(21.7)	139.1	
Number of employees at December 31	2,020		327		-	2,347	

The performance posted in 2010 by the division's activities in the two main areas in which it operates is analysed in the table below:

(in millions of Euro)	SUSPENSION DIVISION EUROPE		SUSPENSION DIVISION SOUTH AMERICA		Other entities	Interc. elimin.	TOTAL SUSPENSION DIVISION	
	Amount	%	Amount	%			Amount	Amount
Sales revenues	348.4	100.0	105.0	100.0	9.6	(1.4)	461.6	100.0
Operating result	20.5	5.9	15.0	14.2	0.5	(0.1)	35.9	7.8
EBIT	13.4	3.9	13.7	13.0	0.5	(0.1)	27.5	6.0
Result before taxes	20.4	5.9	13.0	12.3	0.3	(11.3)	22.4	4.9
Net result	15.3	4.4	9.3	8.9	0.1	(11.0)	13.7	3.0
Net financial surplus (indebtedness)	(44.4)		5.4		(7.9)	-	(46.9)	
Shareholders' equity	155.2		45.5		12.4	(74.0)	139.1	
Number of employees at December 31	1,731		497		119	-	2,347	

The Division has considerably improved its activity levels and results in all market sectors, including that of industrial vehicles which, as mentioned earlier, had continued to show low volumes until the summer.

The Division's consolidated revenues were € 461.6 million, a 25.4% improvement on the 368 million recorded in the previous year, owing to the recovery of volumes in Europe (+18%) and the explosion of demand in Latin America (+64.8%) and China (+58.9%).

Operating profit rose by 138.9% to € 35.9 million from the previous figure of 15 million, representing 7.8% of sales compared to the previous 4.1%. Over the year, the French production plant in Mussey stopped production activities and the production of precision springs was transferred to other sites.

EBITDA and EBIT also showed significant increases, recording € 52.1 million (11.3% of sales) and 27.5 million (6% of sales) respectively, with a return to net profit of € 13.7 million, after a loss of 5.3 million in 2009.

As of December 31, 2010, the Division's net financial position continued to be negative for € 46.9 million however it was better than the previous year (63 million). Consolidated shareholders' equity amounted to € 139.1 million (120.4 million at the end of 2009).

During the year the number of employees of the Suspension Division rose from 2,312 to 2,347, in line with the increase in production activities.

## OUTLOOK FOR OPERATIONS

In 2011 there is expected to be a rise in the world production of motor vehicles thanks to further growth in North and South America and the Chinese and Indian markets maintaining current levels of development. In Western Europe, on the other hand, the situation is expected to remain stable overall compared to 2010. In line with the market trend, the group will continue in its strategy of downsizing its production capacity in Europe and expanding its presence in countries with higher growth levels.

Therefore, although there is likely to be a rise in the cost of the main commodities, the group believes that it can achieve growth in revenues and earnings in 2011 too unless there are any events of an exceptional nature that cannot be envisaged at present.



## MANAGEMENT OF THE MAIN BUSINESS RISKS

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

In terms of **external risks**, first of all, the Group adopts a centralised management approach to **financial risk** (which includes risks of changes in interest rates and exchange rates, risks of changes in raw materials prices, credit risk and liquidity risk), described in further detail in the Explanatory and Supplementary Notes to the Consolidated Financial Statements which should be referred to.<sup>1</sup>

With regard to **risks relating to competitors**, as the Group is one of the leading forces at worldwide in both the suspension and filter sector, it has objective barriers to the entry of new competitors in the suspension sector, characterised in recent years by a gradual consolidation, insofar as structurally capital intensive and characterised by a large technological and qualitative gap between the Group and manufacturers in low-cost countries. Similarly, a technological and qualitative gap represents a barriers to the entry of new competitors in the original equipment filter as well, while in the spare parts filter sector, important barriers to entry are represented by the completeness of the Group's product catalogue and by the lack of notoriety of the brands of manufacturers in low-cost countries.

As regards the **risks associated with customer management**, as well as the management of **credit risk** already mentioned within **financial risks**, the Group manages the **risk of the concentration of demand** by appropriately diversifying its customer portfolio, both from a geographic perspective and in terms of distribution channel (the major world manufacturers of cars and industrial vehicles in the original equipment market and leading international customers in the spare parts market). A further portfolio diversification is applied within the original equipment distribution channel, in which there is no dependence on predominating customers.

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

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

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

With regard to the **risks related to health, safety and the environment**, the Group's Health, Safety and Environmental (HSE) "management system" comprises a central management team which provides direction and guidance to subsidiaries on aspects regarding the environment, health and safety, and in drawing up risk maps and updating Group policies and procedures. Subsidiaries have their own internal function that manages HSE in accordance with the laws in force in their specific country and on the basis of the Sogefi Group's guidelines. The Holding Company, Sogefi S.p.A., has approved an Environmental Policy for Health and Safety, which sets out the principles that all operations of subsidiaries should observe for the organisation of the HSE management system. In correlation with the environmental policy, 11 plants in the Filter Division and 13 in the Suspension Division are currently certified as complying with the international standard ISO 14001. Some subsidiaries have started to certify their own health and safety system as complying with the OHSAS 18001 standard. The activities carried out in the plants is audited by both experienced internal auditors and external auditors. Particular attention is paid to personnel training in order to consolidate and disseminate a safety culture.

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

As regards **internal risks**, namely risks associated with internal activities and with the characteristics of the organisation itself, one of the major risks identified, monitored and actively managed by the Group is the **risk of product quality/complaints due to non conformity**: in this regard, it is worth drawing attention to the fact that the two divisions of the Sogefi Group consider continuous quality improvement a fundamental objective to meet their customers' needs. Both divisions have therefore set up their own central organisations which continuously monitor quality, while each plant has local teams that work as complying with the principles of the quality policy of their respective division. In correlation with the quality policy, 13 plants in the Filter Division and 17 in the Suspension Division are currently certified according to the international standard ISO TS 16949. Some plants' systems are certified according to business specifications. Unforeseeable risk is adequately covered by insurance, as regards both third party product liability and the potential launch of campaigns to recall products.

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

In terms of the set of risks associated with human resource management, the Group acknowledges the key role played by its human resources, a strategic partner, and the importance of maintaining clear relationships based on mutual loyalty and trust, as well as on the observance of conduct dictated by its Code of Ethics

Working relationships are managed and coordinated in full respect of workers' right and in full acknowledgement of their contribution, with a view to encouraging development and professional growth. Established selection processes, career paths, and incentive schemes are the tools used to make the most of human resources. The Group also uses a system of annual performance appraisals based on a clear definition of shared objectives, which can be measured in numerical, economic, financial and individual terms. A variable bonus is paid depending on the degree to which said objectives are achieved. As regards medium-long incentive schemes, again in 2010 stock option plan has been allocated to top management positions.

Lastly, with regard to the risks associated to the management of Information Systems, the Group manages the risks linked to the potential incompleteness/inadequacy of IT infrastructure and the risks related to the physical and logical safety of systems in terms of the protection of confidential data and information by means of specific units at group level.



## OTHER INFORMATION

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

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

Name	Company	No. of shares held at the end of 2009	No. of shares purchased in 2010	No. of shares sold in 2010	No. of shares held at the end of 2010
Emanuele Bosio	Sogefi S.p.A.	3,265,500	301,600	-	3,567,100
	A.R.A. S.A.	13	-	-	13
	Filtrauto S.A.	1	-	-	1
	Allevard Springs Ltd	1	-	-	1
	United Springs S.A.S.	1	-	-	1
Giovanni Germano	Sogefi S.p.A.	2,012,000	-	-	2,012,000
	Sogefi S.p.A.	(1) 1,004,312	-	-	1,004,312
Roberto Robotti	Sogefi S.p.A.	1,300	-	-	1,300
Managers with strategic responsibilities (*)	Sogefi S.p.A.	171,024	22,000	10,000	183,024
	A.R.A. S.A.	24	-	-	24
	Filtrauto S.A.	2	-	-	2

(1) held indirectly through Siria S.r.l., Corso Montevecchio 38, Torino (Italy) – VAT no. 00486820012

The shares held in Filtrauto S.A. are non-transferable. Five of the shares held by Emanuele Bosio in A.R.A. S.A. and the shares held by the managers with strategic responsibilities in A.R.A. S.A. are also non-transferable until the end of the term of office of the directors concerned.

(\*) as set forth in article 152 sexies of Consob Resolution 11971/99

## RELATED PARTY TRANSACTIONS

Information on the most important economic transactions and balances with related parties is provided in the explanatory and supplementary notes to the consolidated financial statements, in the section entitled “Related Party Transactions”, as well as in the explanatory and supplementary notes to the statutory financial statements.

Dealings between Group companies are conducted at arm’s length, taking into account the quality and type of services rendered.

We point out that no transactions have been carried out with related parties that, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or are such as to have a significant impact on the Group’s results, balance and financial position.

In accordance with Consob Resolution no. 17221 of March 12, 2010 and subsequent amendments, in the session of October 19, 2010, the Company’s Board of Directors proceeded with the appointment of the Related Party Transactions Committee, establishing that the members are to be the same as those of the Internal Control Committee. In the same time the Discipline on related party transactions has been approved with the previous consensus of the Internal Control Committee. The purpose of the Discipline is to establish the principles of conduct that the Company is bound to observe to guarantee the correct management of related party transactions.

In accordance with art. 2497 bis of the Italian Civil Code, we point out that Sogefi S.p.A. is subject to policy guidance and coordination by its parent company Cir S.p.A..

## CORPORATE GOVERNANCE

Note that the text of the “Annual Report on Corporate Governance” for 2010 was approved at the meeting of the Board of Directors that was called to approve the draft financial statements for the year ended December 31, 2010 and will be available for anyone who requests a copy, in accordance with the instructions issued by Borsa Italiana and Consob Resolution 11971/99 for its disclosure to the general public. The report will also be available on the Company’s website ([www.sogefi.it](http://www.sogefi.it), in the “Investors relations - Corporate Governance” section).

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

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

A Supervisory Body was also set up with the task of monitoring the functioning, effectiveness and observance of the Model, as laid down in the decree.

## TREASURY SHARES

As of December 31, 2010, the Holding Company has 1,956,000 treasury shares in its portfolio (purchased in previous years), corresponding to 1.68% of capital, at an average price of € 2.56 each.

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

In accordance with Legislative Decree 196 of June 30, 2003 and subsequent amendments regarding the “Personal Data Protection Code”, the Company has formally complied with legal requirements by implementing the security measures foreseen by the legislator (which also complied with the previous Legislative Decree 675 of 1996 on privacy).

The implementation firstly involved preparing the “Security Planning Document” which explains the various forms of protection currently in place, also identifying any further measures that the Company ought to introduce by law. The Company is continuing with the implementation process, in compliance with the directives envisaged by the cited legislative decree no. 196 of June 30, 2003, also ensuring that the “Security Planning Document” is updated on an annual basis.

## OTHER

SOGEFI S.p.A. has its registered office 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.

This report, which relates to the period January 1 to December 31, 2010, was approved by the Board of Directors on February 24, 2011.

## DECLARATIONS PURSUANT TO ARTICLES 36 AND 37 OF CONSOB REGULATION 16191 OF OCTOBER 29, 2007

*In accordance with the obligations set forth in article 2.6.2. of the Regulations of Borsa Italiana, and with reference to the requirements referred to in articles 36 and 37 of Consob Resolution 16191 of October 29, 2007, it is hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as: Sogefi S.p.A. (the “Company”) has obtained the articles of association and the composition and powers of the related control bodies from foreign subsidiaries based in countries that are not part of the European Union and are of material significance to the Company; the same foreign subsidiaries provide the Company’s auditor with information necessary to perform annual and interim audits of Sogefi and use an administrative and accounting system appropriate for regular reporting to the Management and to the auditors of the Company of the income statement, balance and financial data necessary for the preparation of the consolidated financial statements. Sogefi S.p.A. will also publish the financial statements of foreign subsidiaries (based in non European countries and with material significance to the Company), prepared for the purpose of the consolidated financial statements as of December 31, 2010, in accordance with the procedures indicated in the Consob regulation.*

*In consideration of the fact that Sogefi is subject to policy guidance and coordination by its parent company CIR – Compagnie Industriali Riunite S.p.A., it is also hereby stated that there are no circumstances such as to prevent the listing of Sogefi stock on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. insofar as the Company has fulfilled its publication obligations pursuant to article 2497-bis of the Italian Civil Code; has independent decision-making powers in relations with customers and suppliers; does not hold a cash pooling system with CIR. The Company has a cash pooling system with subsidiary companies that satisfies the interest of the company. This situation enables the Group’s finances to be centralised, thus reducing the need to utilise funding from banks, and therefore minimising financial charges. Lastly, it is hereby stated that the Company’s Board of Directors comprises 9 members, 5 of which meet the independence criteria, and therefore a sufficient number to guarantee that their contribution has an adequate weight when taking board decisions.*

*Internal committees settled by the Company (Internal Control Committee and Remuneration Committee) are fully made up by independent administrators.*

## SIGNIFICANT SUBSEQUENT EVENTS

*In February 2011, the procedure for the merger by incorporation of Sogefi Filtration A.B. (Sweden) and Sogefi Filtration B.V. (Holland) into Filtrauto S.A. (France) was launched, which will be concluded during the course of the year, taking effect as of January 1, 2011.*

## PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

*The statutory financial statements as of December 31, 2010 that we submit for your approval show net profit of €12,444,747.22.*

*We would like to propose:*

*- distributing a dividend per share of € 0.13 to each of the shares in issue with rights from January 1, 2010 (excluding the treasury shares in portfolio), using the net profit for the year of € 12,444,747.22 and taking the difference form “Retained earnings” reserve.*

*The proposal of allocation of net profit for the year and the distribution of reserves take into account the provision of art. 2357 ter, 2 of the Italian Civil Code, which establishes that the dividend rights of the treasury shares are to be attributed proportionally to the other shares.*

*We point out that the effective amount to be allocated to dividends and the distribution of reserves will take account of the treasury shares held in portfolio and of the ordinary shares effectively outstanding at the Shareholders’ Meeting date, including the possible issuance of new shares if the beneficiaries of current stock option plans exercise their options.*

*Milano, February 24, 2011*

THE BOARD OF DIRECTORS

*ATTACHMENT: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS CONTAINED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS/IFRS*

*Notes relating to the Consolidated Financial Statements*

- (a) the heading agrees with "Total working capital" in the consolidated statement of financial position;*
- (b) the heading agrees with the sum of the line items "Trade and other payables", "Tax payables" and "Other current liabilities" in the consolidated statement of financial position;*
- (c) the heading agrees with the sum of the line items "Equity investments in associates" and "Other financial assets available for sale" in the consolidated statement of financial position;*
- (d) the heading agrees with the sum of the line items "Total fixed assets", "Other receivables", "Deferred tax assets" and "Non-current assets held for sale" in the consolidated statement of financial position;*
- (e) the heading agrees with the line item "Total other long-term liabilities" in the consolidated statement of financial position;*
- (f) the heading agrees with the sum of the line items "Net result", "Non-controlling interests", "Depreciation, amortization and writedowns", "Accrued costs for stock options", "Provisions for risks, restructuring and deferred taxes" and "Post-retirement and other employee benefits" in the consolidated cash flow statement;*
- (g) the heading agrees with the sum of the line items "Other medium/long-term assets/liabilities" and "Other equity movements" in the consolidated cash flow statement, excluding movements relating to financial receivables;*
- (h) the heading agrees with the sum of the line items "Losses/(gains) on sale of equity investments in associates" and "Sale of subsidiaries (net of cash and cash equivalents) and associates" in the consolidated cash flow statement;*
- (i) the heading agrees with the sum of the line items "Losses/(gains) on disposal of fixed assets and non-current assets held for sale", "Sale of property, plant and equipment" and "Sale of intangible assets" in the consolidated cash flow statement;*
- (l) the heading agrees with the line items "Exchange differences" in the consolidated cash flow statement, excluding exchange differences on medium/long-term financial receivables and payables;*
- (m) these headings differ from those shown in the consolidated cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.*

### **Notes relating to the Holding Company's Statutory Financial Statements**

- (n) the heading agrees with "Total working capital" ("Totale attivo circolante operativo") in the Holding Company's statutory statement of financial position;
- (o) the heading agrees with the sum of the line items "Trade and other payables" ("Debiti commerciali e altri debiti"), "Tax payables" ("Debiti per imposte") and "Other current liabilities" ("Altre passività correnti") in the Holding Company's statutory statement of financial position;
- (p) the heading agrees with the sum of the line items "Equity investments in subsidiaries" ("Partecipazioni in società controllate"), "Equity investments in associates" ("Partecipazioni in società collegate") and "Other financial assets available for sale" ("Altre attività finanziarie disponibili per la vendita") in the Holding Company's statutory statement of financial position;
- (q) the heading agrees with the sum of the line items "Total fixed assets" ("Totale immobilizzazioni"), "Other receivables" ("Altri crediti") and "Deferred tax assets" ("Imposte anticipate") in the Holding Company's statutory statement of financial position;
- (r) the heading agrees with the line item "Total other long-term liabilities" ("Totale altre passività a lungo termine") in the Holding Company's statutory statement of financial position;
- (s) the heading agrees with the sum of the line items "Net result" ("Utile netto d'esercizio"), "Depreciation and amortization" ("Ammortamenti immobilizzazioni materiali e immateriali"), "Change in fair value of property investments" ("Variazione fair value investimenti immobiliari"), "Accrual to income statement for fair value of cash flow hedging instruments" ("Stanziamento a conto economico fair value derivati cash flow hedge"), "Accrued costs for stock options" ("Accantonamenti costi per stock options"), "Net change Phantom Stock Options provision" ("Variazione netta fondo Phantom Stock Options"), "Net change risks provision and deferred charges" ("Variazione netta fondo rischi e oneri futuri") and "Net change in provision for employment termination indemnities" ("Variazione netta fondo trattamento di fine rapporto") as well as the change of deferred tax assets/liabilities included in the line "Other assets/liabilities" ("Altre attività/passività") of the Holding Company's statutory cash flow statement;
- (t) the heading is included in the line item "Other assets/liabilities" ("Altre attività/passività") in the Holding Company's statutory cash flow statement, excluding movements relating to financial receivables/payables;
- (u) the heading agrees with the sum of the line items "Gain on sale of equity investments" ("Plusvalenza cessione partecipazioni") and "Sale of equity investments" ("Vendita partecipazioni") in the Holding Company's statutory cash flow statement.
- (v) these headings differ from those shown in the Holding Company's statutory cash flow statement as they refer to the total net financial position and not just to cash and cash equivalents.



## DEFINITION OF THE PERFORMANCE INDICATORS

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

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

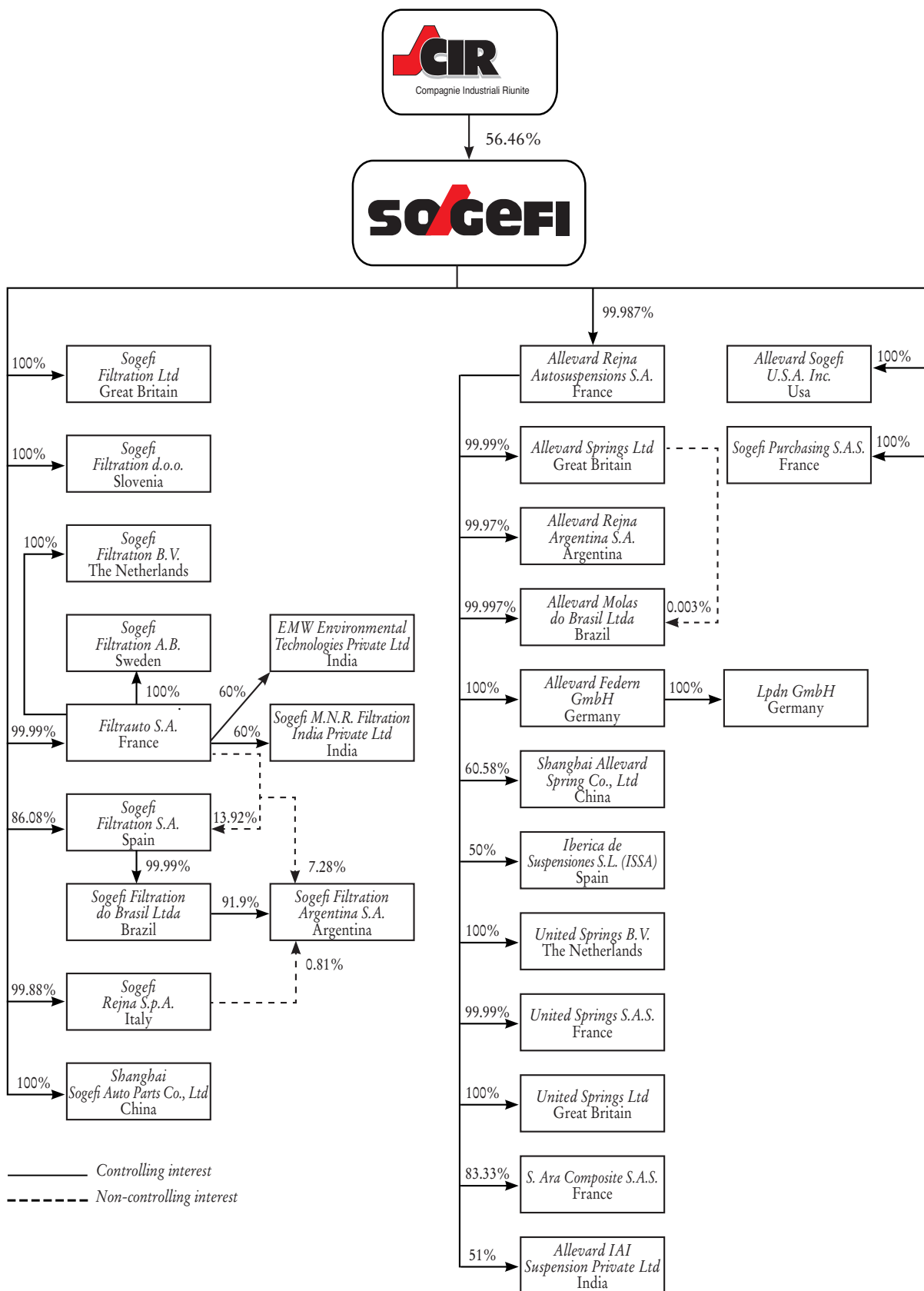
*ROI: is calculated as the ratio between “EBIT” relating to the year underway and the average “Net capital invested”, as set forth in the table of the consolidated capital structure included in the “Report on Operations”, (the average is calculated with reference to the punctual values at the end of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

*EBITDA: is calculated by summing “EBIT” and “Depreciation and Amortisation”.*

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

*GEARING: is calculated as the “Net financial position”/“Total shareholders’ equity” ratio.*

SOGEFI GROUP STRUCTURE: CONSOLIDATED COMPANIES



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

<i>ASSETS</i>	<i>Note</i>	<i>12.31.2010</i>	<i>12.31.2009</i>
<i>CURRENT ASSETS</i>			
<i>Cash and cash equivalents</i>	5	66,760	111,583
<i>Other financial assets</i>	6	200	46
<i>Working capital</i>			
<i>Inventories</i>	7	98,456	85,915
<i>Trade receivables</i>	8	138,815	126,549
<i>Other receivables</i>	8	10,232	5,545
<i>Tax receivables</i>	8	12,178	9,911
<i>Other assets</i>	8	2,485	3,055
<b>TOTAL WORKING CAPITAL</b>		<b>262,166</b>	<b>230,975</b>
<b>TOTAL CURRENT ASSETS</b>		<b>329,126</b>	<b>342,604</b>
<i>NON-CURRENT ASSETS</i>			
<i>FIXED ASSETS</i>			
<i>Land</i>	9	14,423	14,175
<i>Property, plant and equipment</i>	9	208,445	211,623
<i>Other tangible fixed assets</i>	9	4,278	5,731
<i>Of which: leases</i>		13,753	13,723
<i>Intangible assets</i>	10	133,489	131,372
<b>TOTAL FIXED ASSETS</b>		<b>360,635</b>	<b>362,901</b>
<i>OTHER NON-CURRENT ASSETS</i>			
<i>Investments in associates</i>	11	-	101
<i>Other financial assets available for sale</i>	12	440	472
<i>Financial receivables</i>	13	-	68
<i>Other receivables</i>	13	10,146	9,029
<i>Deferred tax assets</i>	14-20	38,247	35,001
<b>TOTAL OTHER NON-CURRENT ASSETS</b>		<b>48,833</b>	<b>44,671</b>
<b>TOTAL NON-CURRENT ASSETS</b>		<b>409,468</b>	<b>407,572</b>
<i>NON-CURRENT ASSETS HELD FOR SALE</i>	15	722	700
<b>TOTAL ASSETS</b>		<b>739,316</b>	<b>750,876</b>



<i>LIABILITIES</i>	<i>Note</i>	<i>12.31.2010</i>	<i>12.31.2009</i>
<b><i>CURRENT LIABILITIES</i></b>			
<i>Bank overdrafts and short-term loans</i>	16	35,958	4,327
<i>Current portion of medium/long-term financial debts and other loans</i>	16	42,773	67,378
<i>Of which: leases</i>		1,866	1,679
<i>TOTAL SHORT-TERM FINANCIAL DEBTS</i>		78,731	71,705
<i>Other short-term liabilities for derivative financial instruments</i>	16	164	1,023
<i>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS</i>		78,895	72,728
<i>Trade and other payables</i>	17	210,019	199,818
<i>Tax payables</i>	17	6,235	2,727
<i>Other current liabilities</i>	18	2,121	1,971
<b><i>TOTAL CURRENT LIABILITIES</i></b>		297,270	277,244
<b><i>NON-CURRENT LIABILITIES</i></b>			
<i>MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</i>			
<i>Financial debts to bank</i>	16	141,406	196,169
<i>Other medium/long-term financial debts</i>	16	9,562	10,902
<i>Of which: leases</i>		7,187	8,034
<i>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</i>		150,968	207,071
<i>Other medium/long-term financial liabilities for derivative financial instruments</i>	16	2,042	2,124
<b><i>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</i></b>		153,010	209,195
<b><i>OTHER LONG-TERM LIABILITIES</i></b>			
<i>Long-term provisions</i>	19	41,777	51,033
<i>Other payables</i>	19	410	382
<i>Deferred tax liabilities</i>	20	32,447	30,847
<b><i>TOTAL OTHER LONG-TERM LIABILITIES</i></b>		74,634	82,262
<b><i>TOTAL NON-CURRENT LIABILITIES</i></b>		227,644	291,457
<b><i>SHAREHOLDERS' EQUITY</i></b>			
<i>Share capital</i>	21	60,546	60,397
<i>Reserves and retained earnings (accumulated losses)</i>	21	117,874	114,053
<i>Group net result for the year</i>	21	18,821	(7,639)
<b><i>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY</i></b>		197,241	166,811
<i>Non-controlling interests</i>	21	17,161	15,364
<b><i>TOTAL SHAREHOLDERS' EQUITY</i></b>		214,402	182,175
<b><i>TOTAL LIABILITIES AND EQUITY</i></b>		739,316	750,876

## CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	Note	2010		2009	
		Amount	%	Amount	%
Sales revenues	23	924,713	100.0	780,987	100.0
Variable cost of sales	24	622,963	67.4	529,832	67.8
<b>CONTRIBUTION MARGIN</b>		<b>301,750</b>	<b>32.6</b>	<b>251,155</b>	<b>32.2</b>
Manufacturing and R&D overheads	25	98,586	10.6	90,370	11.6
Depreciation and amortization	26	44,924	4.9	42,150	5.4
Distribution and sales fixed expenses	27	32,367	3.5	31,059	4.0
Administrative and general expenses	28	58,346	6.3	53,891	6.9
<b>OPERATING RESULT</b>		<b>67,527</b>	<b>7.3</b>	<b>33,685</b>	<b>4.3</b>
Restructuring costs	30	12,022	1.3	17,162	2.2
Losses (gains) on disposal	31	(509)	-	1,222	0.2
Exchange losses (gains)	32	220	-	781	0.1
Other non-operating expenses (income)	33	14,021	1.5	9,445	1.2
- of which non-recurring		187		(11)	
<b>EBIT</b>		<b>41,773</b>	<b>4.5</b>	<b>5,075</b>	<b>0.6</b>
Financial expenses (income), net	34	9,554	1.0	10,783	1.4
Losses (gains) from equity investments	35	(200)	-	(75)	(0.1)
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>		<b>32,419</b>	<b>3.5</b>	<b>(5,633)</b>	<b>(0.7)</b>
Income taxes	36	11,570	1.3	700	0.1
<b>NET RESULT BEFORE NON-CONTROLLING INTERESTS</b>		<b>20,849</b>	<b>2.2</b>	<b>(6,333)</b>	<b>(0.8)</b>
Loss (income) attributable to non-controlling interests		(2,028)	(0.2)	(1,306)	(0.2)
<b>GROUP NET RESULT</b>		<b>18,821</b>	<b>2.0</b>	<b>(7,639)</b>	<b>(1.0)</b>
Earnings per share (EPS) (Euro):	38				
Basic		0.165		(0.067)	
Diluted		0.165		(0.067)	

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	Note	2010	2009
Net result before non-controlling interests		20,849	(6,333)
Profit (loss) booked directly to equity			
- Profit (loss) booked to cash flow hedging reserve		862	(738)
- Profit (loss) booked to fair value reserve for financial assets available for sale		(18)	9
- Tax on items booked directly to equity	21	(231)	200
- Profit (loss) booked to translation reserve		11,018	13,231
Profit (loss) booked directly to equity		11,631	12,702
<b>Total comprehensive result for the period</b>		<b>32,480</b>	<b>6,369</b>
Attributable to:			
- Shareholders of the Holding Company		30,108	5,117
- Non-controlling interests		2,372	1,252

## CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)

	2010	2009
<i>Cash flows from operating activities</i>		
Net result	18,821	(7,639)
Adjustments:		
- non-controlling interests	2,028	1,306
- depreciation, amortization and writedowns	46,176	42,961
- accrued costs for stock options	540	533
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(509)	1,222
- losses/(gains) on sale of equity investments in associates	(46)	-
- dividends collected	(52)	(75)
- provisions for risks, restructuring and deferred taxes	(8,698)	1,996
- post-retirement and other employee benefits	(3,558)	(4,340)
- change in net working capital	(15,447)	85,368
- other medium/long-term assets/liabilities	267	2,647
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>39,522</b>	<b>123,979</b>
<i>of which: taxes paid</i>	<i>(8,923)</i>	<i>(5,405)</i>
Net interest paid	(9,419)	(10,047)
<b>INVESTING ACTIVITIES</b>		
Net financial position of subsidiaries purchased/sold during the year	-	-
Purchase of property, plant and equipment	(24,304)	(22,557)
Purchase of intangible assets	(11,723)	(11,769)
Net change in other securities	39	(26)
Sale of subsidiaries (net of cash and cash equivalents) and associated	147	-
Sale of property, plant and equipment	1,091	300
Sale of intangible assets	88	20
Dividends collected	52	75
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(34,610)</b>	<b>(33,957)</b>
<b>FINANCING ACTIVITIES</b>		
Capital increase in subsidiaries from third parties	907	-
Net change in capital	297	-
Net purchase of treasury shares	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	(2,000)	(3,000)
New (repayment of) long-term loans	(81,876)	(11,691)
New (repayment of) finance leases	(922)	1,021
Other equity movements	613	(535)
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(82,981)</b>	<b>(14,205)</b>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(78,069)</b>	<b>75,817</b>
Balance at the beginning of the period	107,256	29,706
(Decrease) increase in cash and cash equivalents	(78,069)	75,817
Exchange differences	1,615	1,733
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>30,802</b>	<b>107,256</b>

NB: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7 (in particular the net balance between "Cash and cash equivalents" and "Bank overdrafts and short-term loans"). The cash flow statement included in the Report of the board of directors on operations shows the various operational components of cash flow, thereby explaining all of the changes in the overall net financial position.

## STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(in thousands of Euro)

	Attributable to the shareholders of the parent company				Non- controlling interests	Total
	Share capital	Reserves and retained earnings (accumulated losses)	Net result for the period	Total		
Balance at December 31, 2008	60,397	72,013	28,495	160,905	17,410	178,315
<i>Paid share capital increase</i>	-	-	-	-	-	-
<i>Allocation of 2008 net profit:</i>						
<i>Legal reserve</i>	-	140	(140)	-	-	-
<i>Dividends</i>	-	-	-	-	(3,000)	(3,000)
<i>Retained earnings</i>	-	28,355	(28,355)	-	-	-
<i>Imputed cost of stock options</i>	-	533	-	533	-	533
<i>Other changes</i>	-	256	-	256	(298)	(42)
Comprehensive result for the period						
<i>Fair value measurement of financial assets available for sale</i>	-	9	-	9	-	9
<i>Fair value measurement of cash flow hedging instruments</i>	-	(738)	-	(738)	-	(738)
<i>Tax on items booked directly to equity</i>	-	200	-	200	-	200
<i>Currency translation differences</i>	-	13,285	-	13,285	(54)	13,231
<i>Net result for the period</i>	-	-	(7,639)	(7,639)	1,306	(6,333)
Total comprehensive result for the period	-	12,756	(7,639)	5,117	1,252	6,369
Balance at December 31, 2009	60,397	114,053	(7,639)	166,811	15,364	182,175
<i>Paid share capital increase</i>	149	148	-	297	907	1,204
<i>Allocation of 2009 net profit:</i>						
<i>Legal reserve</i>	-	-	-	-	-	-
<i>Dividends</i>	-	-	-	-	(2,000)	(2,000)
<i>Retained earnings</i>	-	(7,639)	7,639	-	-	-
<i>Imputed cost of stock options</i>	-	540	-	540	-	540
<i>Other changes</i>	-	(515)	-	(515)	518	3
Comprehensive result for the period						
<i>Fair value measurement of financial assets available for sale</i>	-	(11)	-	(11)	(7)	(18)
<i>Fair value measurement of cash flow hedging instruments</i>	-	862	-	862	-	862
<i>Tax on items booked directly to equity</i>	-	(233)	-	(233)	2	(231)
<i>Currency translation differences</i>	-	10,669	-	10,669	349	11,018
<i>Net result for the period</i>	-	-	18,821	18,821	2,028	20,849
Total comprehensive result for the period	-	11,287	18,821	30,108	2,372	32,480
Balance at December 31, 2010	60,546	117,874	18,821	197,241	17,161	214,402

## EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

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## A) GENERAL ASPECTS

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

*SOGEFI is present in 3 continents and 13 countries, with 45 locations, of which 36 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 Mercato Telematico Azionario 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” (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 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, 2010 were approved by the Board of Directors on February 24, 2011.*

#### 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 schedules:*

##### Consolidated Statement of Financial Position

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

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

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

- it is expected to be realized/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 realized/settled within twelve months after the reporting period.*

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



### Consolidated Income Statement

*The costs and revenues shown in the Consolidated Income Statement are classified by destination, while also making a distinction between fixed and variable costs.*

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

- Contribution margin;
- Operating result;
- EBIT (earnings before interest and tax);
- Result before taxes and non-controlling interests;
- Net result before non-controlling interests;
- Net result for the year.

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

*In other words, by way of example, the “Operating result” is not affected by non-recurring costs and revenues (such as restructuring costs, gains or losses on disposals) or by charges or income that are not related to normal business operations, such as tax charges that are the result of different fiscal policies that the various countries adopt for common budgetary purposes by applying a variable mix of direct and indirect taxes (determined mainly according to financial parameters) depending on their own socio-economic characteristics. Similarly, 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 schedule presented here and, where necessary and significant, the notes to the financial statements give a clear indication as to their nature and amount.*

### Consolidated Statement of Other Comprehensive Income

*The Consolidated Statement of Other Comprehensive Income includes all the changes in equity occurring in 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 schedule to the Consolidated Income Statement.*

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

### Consolidated Cash Flow Statement

*A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in 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”.*

## Statement of Changes in Consolidated Equity

*A Statement of Changes in Consolidated Equity is included as required by international accounting standards, showing separately the net result for the period and any revenue, income, cost or expense that was not charged through the Income Statement, but directly to Consolidated Equity on the basis of specific IAS/IFRS, 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, 2010 include the Holding Company Sogefi S.p.A. and the directly and 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 expressed in Euro (€) and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.*

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

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

- in June, November and December, the subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in the subsidiary S.ARA Composite S.a.S. from 64.29% to 83.33%, through share capital increases of € 3,200 thousand, of which € 2,700 thousand already paid;*
- in September, the subsidiary Allevard Rejna Autosuspensions S.A. established controlling Allevard IAI Suspensions Private Ltd company, jointly with the Indian group Imperial Auto, for the production of suspension components in India. Allevard Rejna Autosuspensions S.A. is the controlling shareholder of the new company with a 51% share of capital;*
- in December, the liquidation procedure for the associate Allevard Ressorts Composites S.A.S. was closed, recording a gain of € 147 thousand in addition to the dividends already received during the course of the year totalling € 50 thousand.*

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

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

## 2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

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

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

### 2.1 Consolidation principles

*The financial statements as of December 31, 2010 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IAS/IFRS, have been used for consolidation purposes.*

*The scope of consolidation includes subsidiaries and associates.*



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

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

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

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

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

- the items of the consolidated statement of financial position are translated into Euro at the year-end exchange rates, taking account of any exchange risk hedging transactions;
- the income statement items are translated into Euro using the year's average exchange rates;
- differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between the income statement and financial result;
- whenever a company with a different functional currency from the Euro is disposed of, any exchange differences included in equity are charged to the income statement.

The following exchange rates have been used for translation purposes:

	2010		2009	
	Average	12.31	Average	12.31
US dollar	1.3243	1.3362	1.3897	1.4406
Pound sterling	0.8576	0.8607	0.8906	0.8881
Swedish krona	9.5374	8.9654	10.6112	10.2522
Brazilian real	2.3299	2.2177	2.7598	2.5113
Argentine peso	5.1795	5.3098	5.1677	5.4618
Chinese renminbi	8.9646	8.8222	9.4931	9.8348
Indian rupee	60.5327	59.7729	67.2495	67.0241

An associate is an entity in which the Group is able to exert a significant influence, but without being able to control its financial and operating policies.

Equity investments in associates are consolidated applying to the equity method, which means that the results of operations of associates are reflected in the consolidated income statement and any changes in their equity are reflected in the consolidated equity. If the carrying value exceeds the recoverable amount, the carrying value of the investment is adjusted by booking the related loss to the income statement.

## 2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Group and of the equity instruments issued in exchange for the control of the acquired entity.

The costs of the transaction are generally booked to the income statement at the time they are incurred.

*On the acquisition-date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:*

- deferred tax assets and liabilities;*
- assets and liabilities relating to personnel benefits;*
- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;*
- assets held for sale and discontinuous assets and liabilities.*

*Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree with respect to the fair value of the assets transferred and liabilities assumed as at the acquisition-date.*

*If the value of the assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, said surplus is immediately booked to the income statement as income resulting from said transaction.*

*The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of the fair value of net assets in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.*

*Business combinations made prior to January 1, 2010 were recognised in accordance with the previous version of IFRS 3.*

## **2.3 Accounting policies**

*The following accounting policies have been applied in the financial statements as of December 31, 2010.*

### ***Cash and cash equivalents***

*Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.*

### ***Inventories***

*Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realizable value based on market trends, net of variable selling costs.*

*Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down to their utilizable or realizable value.*

### ***Receivables included in current assets***

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

*Receivables assigned through without-recourse factoring transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer.*

## *Tangible fixed assets*

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

*Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.*

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

*The depreciable value is the cost of an asset, or any other value representing the cost, less its residual value, where the residual value of an asset is the estimated value that the entity could receive at that time from its disposal, net of estimated disposal costs.*

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

*The annual average depreciation rates applied are as follows:*

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

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

*Ordinary maintenance costs are charged to the income statement.*

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

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

*Grants are shown in the statement of financial position as an adjustment of the book value of the asset concerned. Grants are then recognized as income over the useful life of the asset by effectively reducing the depreciation charge each year.*

### *Assets under lease*

*There are two types of leases: finance leases and operating leases.*

*A lease is considered a finance lease when it transfers a significant and substantial part of the risks and benefits associated with ownership of the asset to the lessee.*

*As envisaged in IAS 17, a lease is considered a finance lease when the following elements are present, either individually or in combination:*

- the contract transfers ownership of the asset to the lessee at the end of the lease term;*
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the lease, that it will be exercised;*
- the lease term is for the major part of the useful life of the asset, even if title is not transferred;*
- at the inception of the lease, the present value of the minimum lease payments is equal to the fair value of the asset being leased;*
- the assets being leased are of such a specialised nature that only the lessee is able to use them without making major modifications.*

Assets available to Group companies under contracts that fall into the category of finance leases are accounted for as tangible fixed assets at their fair value at the date of purchase or, if lower, at the present value of the minimum payments due under the lease; the corresponding liabilities to the lessor are shown in the statement of financial position as financial debts. The assets are depreciated over their estimated useful lives.

Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the income statement for the period.

Payments under operating lease contracts, on the other hand, are charged to the income statement on a straight-line basis over the life of the contract.

### **Intangible assets**

An intangible asset is only recognized if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.

Intangible assets with a finite life are valued at purchase or production cost, net of amortization and accumulated impairment losses.

The annual average amortization rates applied are as follows:

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

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

#### **Research and development expenses**

Research expenses are charged to the income statement as incurred in accordance with IAS 38.

Development expenses relating to specific projects are capitalized when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortized over the entire period of future profits expected to be earned by the project in question.

The capitalized value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analyzing its fairness to see if there have been any impairment losses.

#### **Trademarks and licences**

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

#### **Software**

The costs of software licences, including related charges, are capitalized and shown in the statement of financial position net of amortization and any accumulated impairment losses.

#### **Goodwill**

Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled "Business combinations". Goodwill is not amortized but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. After initial recognition, goodwill is valued at cost less any accumulated impairment losses. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.

*For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.*

*The Sogefi Group currently has four CGUs: the Filter Division, the Car Suspension Division, the Industrial Vehicle Suspension Division and Precision Springs Division.*

*The goodwill currently on the books only concerns the Filter Division and the Car Suspension Division.*

**Intangible assets with an indefinite useful life**

*Intangible assets with an indefinite useful life are not amortized, but are tested annually for impairment, or more frequently if there is an indication that the asset may have suffered a loss in value. As of December 31, 2010, the Group does not have assets with an indefinite useful life.*

### **Impairment losses of tangible and intangible fixed assets**

*If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment testing, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.*

*For goodwill and any other intangible fixed assets with indefinite life, impairment testing is carried out at least once a year.*

*With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the income statement.*

### **Equity investments in associates**

*The results, assets and liabilities of associates are consolidated under the equity method.*

### **Equity investments in other companies and other securities**

*In accordance with IAS 39, equity investments in entities other than subsidiaries and associates are classified as available-for-sale financial assets which are measured at fair value, except in situations where the market price or fair value cannot be determined in which the cost method is used.*

*Gains and losses deriving from value adjustments are booked to a specific equity reserve.*

*In the case of objective evidence that an asset suffered an impairment loss or it is sold, the gains and losses previously recognized under equity are reclassified to the income statement.*

*For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 "Financial assets").*

### **Non-current assets held for sale**

*Under IFRS 5 "Non-current assets held for sale and discontinued operations", providing the relevant requirements are met, non-current assets whose book value will be recovered principally by selling them rather than by using them on a continuous basis, have to be classified as being held for sale and valued at the lower of book value or fair value net of any selling costs. From the date they are classified as non-current assets held for sale, their depreciation is suspended.*



## **Loans**

*Loans are initially recognized at cost, represented by the fair value received, net of related loan origination charges. After initial recognition, loans are measured at amortized cost by applying the effective interest rate method. The amortized cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.*

## **Derivatives**

*A derivative is understood as being any contract of a financial nature with the following characteristics:*

- 1. its value changes in relation to changes in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or interest rate index, a credit rating or any other pre-established underlying variable;*
- 2. it does not require an initial net investment or, if required, this is less than what would be requested for other types of contract likely to provide a similar reaction to changes in market factors;*
- 3. it will be settled at some future date.*

*For accounting purposes, a derivative's treatment depends on whether it is speculative in nature or whether it can be considered an hedging instrument.*

*All derivatives are initially recognized in the statement of financial position at cost as this represents their fair value. Subsequently, all derivatives are measured at fair value.*

*Any changes in the fair value of derivatives that are not designated as hedging instrument are booked to the income statement (under the item "Financial expenses (income), net").*

*Derivatives that can be booked under the hedge accounting are classified as:*

- fair value hedges if they are subject to the risk of changes in the market value of the underlying assets or liabilities;*
- cash flow hedges if they are taken out to hedge the risk of fluctuations in the cash flows deriving from an existing asset or liability, or from a future transaction that is highly probable.*

*For derivatives classified as fair value hedges, the gains and losses that arise on determining their fair value and the gains and losses that derive from adjusting the underlying hedged items to their fair value are booked to the income statement.*

*For those classified as cash flow hedges, used for example to hedge medium/long-term loans at floating rates, gains and losses that arise from their valuation at fair value are booked directly to equity for the part that effectively hedges the risk for which they were taken out, whereas any part that proves ineffective is booked to the income statement (under the item "Financial expenses (income), net").*

*The portion booked to equity will be reclassified to the income statement (under the item "Financial expenses (income), net" in the period) when the hedged assets and liabilities impact the costs and revenues of the period.*

*Note that the Group has adopted a specific procedure for managing financial instruments as part of an overall risk management policy.*

## **Trade and other payables**

*Payables are initially recognized at fair value of the consideration to be paid and subsequently at amortized cost, which generally corresponds to their nominal value.*

## **Long-term provisions**

### **Provisions for risks and charges**

*Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.*

*On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.*

*Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.*

### **Post-retirement and similar employee benefits**

*Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.*

*The Group's responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the income statement are calculated on the basis of actuarial valuations that use the projected unit credit method. The part of the accumulated net value of actuarial profits and losses in excess of the higher between 10% of the present value of the defined-benefit obligation and 10% of the fair value of plan assets at the end of the previous reporting period is amortized over the average residual working life of the employees ("corridor approach"). On first-time adoption of IFRS, the Group decided to record all accumulated actuarial profits and losses existing on January 1, 2004, even though it had chosen to use the corridor approach for subsequent actuarial profits and losses.*

*The liability relating to benefits to be recognised on termination of employment recorded in the statement of financial position represents the present value of the defined-benefit obligation, adjusted by the actuarial profits and losses suspended in application of the corridor approach and by costs relating to past service to be recognised in future years, less the fair value of the plan assets. Any net assets determined using this calculation method are recognised as the lowest of their value and the sum of unrecognised net actuarial losses, the cost of past service to be recognised in future years, the present value of available repayments and reductions of future contribution to the plan.*

*In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the income statement on a straight-line basis for the average period until such time as said benefits are acquired. In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the income statement.*

*All of the costs and income resulting from the measurement of funds for pension plans are booked to the income statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.*

*The costs relating to defined-contribution plans are booked to the income statement when incurred.*

### **Phantom stock options**

*With regard to phantom stock option plans, as envisaged by IFRS 2, in the section regarding "Cash-settled share-based payment transactions", the fair value of the plan at the date of the financial statements is remeasured, with any changes in fair value recognised to the income statement as a cost with a corresponding entry to a provision.*

## **Deferred taxation**

*Deferred taxes are calculated on the temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.*

*Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.*

*The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.*

*Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse, considering current rates and those enacted or substantially enacted at the end of the reporting period.*

### **Participation in CIR's group tax filing system**

*Each company jointing to the Group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to be paid. On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level.*

### **Shareholders' equity**

#### **Share capital**

*Ordinary shares are entered at share capital and shown at par value.*

#### **Fair value reserve**

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

#### **Cash flow hedging reserve**

*This includes gains and losses arising from hedging financial instruments that for the purposes of IAS 39 are designated as cash flow hedges.*

#### **Translation reserve**

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

#### **Retained earnings (Accumulated losses)**

*This reflects the accumulated results, net of dividends paid to shareholders. This reserve also contains transfers from other equity reserves whenever they are freed from any restrictions to which they were subject.*

*It also contains the cumulative effect of changes in accounting principles or any corrections of errors accounted for under IAS 8.*

#### **Stock option**

*With regard to "Stock option", as envisaged by IFRS 2 "Share-based payments", the Group calculates the fair value of the option at the granting date, booking it to the income statement as a cost over the vesting period of the benefit. Given that this is an eminently imputed element, the ad hoc equity reserve in the statement of financial position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.*

#### **Treasury shares**

*Treasury shares are deducted from the equity. The original cost of treasury shares and the profit resulting from their subsequent sales are recognised as changes in equity.*



### **Revenues recognition**

Revenues from the sale of products are recognized at the time ownership passes (time of risks and rewards transfer), which is generally upon shipment to the customer. They are shown net of returns, discounts and accruals. Revenues from services rendered are recognized at the time the services are provided.

### **Variable cost of sales**

This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

### **Manufacturing and R&D overheads**

This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production. Also included are all R&D overheads, net of any development costs that are capitalized because of their future benefits and excluding amortization which is booked to a separate item in the income statement.

### **Distribution and sales fixed expenses**

These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

### **Administrative and general expenses**

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

### **Operating grants**

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

### **Restructuring costs and other non-operating expenses/income**

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

### **Dividends**

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

Dividends to be distributed are recognized as a payable to shareholders immediately after they have been approved.

### **Current taxes**

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

### **Earnings per share (EPS)**

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

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

### **Translation of foreign currency items**

#### **Functional currency**

*Group companies prepare their financial statements in the local currency of the country concerned.*

*The functional currency of the Parent is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.*

#### **Accounting for foreign currency transactions**

*Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.*

*At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.*

*Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.*

*Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.*

### **Critical estimates and assumptions**

*Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period, but given their nature, they could lead to a material difference in statement of financial position items in future years. The main items affected by this process of estimation are goodwill, deferred taxes, pension plans and the fair value of financial instruments, stock options and phantom stock options. Reference should be made to these specific areas for further details.*

## 2.4 Adoption of new accounting standards

### *Accounting standards, amendments and interpretations effective as of January 1, 2010 not applicable to the Group*

*The following amendments, improvements and interpretations effective as of January 1, 2010 govern situations and circumstances that are not found within the Group on the date of these financial statements but may effect the accounting of future transactions or agreements:*

- IAS 27 (2008) - Consolidated and separate financial statements
- IFRS 3 (2008) - Business combinations
- Improvement to IFRS 5 - Non-current assets held for sale and discontinued operations
- Amendments of IAS 28 - Investments in associates and to IAS 31 - Interests in joint ventures, consequent to changes made to IAS 27
- Improvements to IAS/IFRS (2009)
- Amendment of IFRS 2 - Share-based payments: Group cash-settled share-based payment transactions
- IFRIC 17 - Distribution of non-cash assets to owners
- IFRIC 18 - Transfer of assets from customers
- Amendment of IAS 39 - Financial instruments: recognition and measurement - Exposures qualifying for hedge accounting

### *Accounting standards, amendments and interpretations not yet applicable and not opted for early adoption by the Group*

*On 8 October 2009, the IASB issued an amendment of IAS 32 - Financial instruments: presentation, classification of rights issues in order to address the accounting for rights issues (rights, warrants, options) denominated in a currency other than functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities; however, provided certain conditions are met the amendments requires such rights issues to be classified as equity regardless of the currency in which the exercise price is denominated. The amendment in question must be applied from January 1, 2011 and applied retrospectively. The adoption of this amendment is not expected to lead significant effects on the Group's financial statements.*

*On November 4, 2009, the IASB issued a revised version of IAS 24 - Related party disclosures that simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. The standard must be applied from January 1, 2011. Application of this amendment will not have any effects on the measurement on the Group's financial statements.*

*On November 12, 2009, the IASB issued IFRS 9 - Financial instruments: the same standard was amended on October 28, 2010. The standard, applicable from January 1, 2013, represents the first part of a process in stages, the aim of which is to entirely replace IAS 39 and introduces new requirements for the classification and measurement of financial assets and financial liabilities and for the derecognition of financial assets. In particular, as regards financial assets, the new standard adopts a single approach based on how an entity manages its financial instruments and the contractual cash flows characteristics of the financial assets, in order to determine its valuation criteria and replacing the many different rules in IAS 39. The most significant effect of the standard regarding the financial liabilities relates to the accounting for changes in fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss. According to the new standard, these changes must be recognised under Other Comprehensive Income and will no longer be reclassified in the income statement. At the date of these financial statements, the European Union has not yet completed the homologation process needed for the application of the new standard.*

*On November 26, 2009, the IASB issued a minor amendment to IFRIC 14 - Prepayments of a minimum funding requirements, allowing companies that pay an early minimum funding requirement to treat such payment as an asset. The amendment must be applied from January 1, 2011. The adoption of this amendment is not expected to lead significant effects on the Group's financial statements.*

On November 26, 2009, the IFRIC issued the interpretation IFRIC 19 - Extinguishing financial liabilities with equity instruments, which provides guidelines on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies that, when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity shares then the shares issued by the company become part of the price paid for the extinguishment of the financial liability and must be measured at fair value. The difference between the book value of the financial liability extinguished and the initial measurement amount of the equity instruments issued must be included in the income statement for the period. The interpretation must be applied from January 1, 2011. Application of the interpretation is not expected to have any significant effects on the Group's financial statements.

On May 6, 2010, the IASB issued a set of amendments to IFRS ("Improvements") which are applicable from January 1, 2011; set out below are those that will lead to changes in the presentation, recognition or measurement of financial statement items, excluding those that only regard changes in terminology or editorial changes having a limited accounting effect and those that affect standards or interpretations are not applicable to the Group.

- IFRS 3 (2008) - Business combinations: the amendment clarifies that the components of non-controlling interests that do not entitle their holders to a proportionate share of the entity's net assets must be measured at fair value or as required by the applicable accounting standards. For example, therefore, stock option granted to employees must be measured in accordance with the requirements of IFRS 2 in the case of a business combination, while the equity portion of a convertible debt instrument must be measured in accordance with IAS 32. In addition, the Board goes into further detail on the question of share-based payment plans that are replaced as part of a business combination by adding specific guidelines to clarify the accounting treatment of the same.

- IFRS 7 - Financial instruments: disclosures: this amendment emphasises the interaction between the qualitative and quantitative disclosures required by the standard concerning the nature and the extent of risks arising from financial instruments. This should assist users of financial statements to link the information presented and hence obtain a general description of the nature and the extent of the risks arising from financial instruments. In addition, the disclosure requirement concerning financial assets that are past due but whose terms have been renegotiated or impaired and that relating to the fair value of collateral has been eliminated.

- IAS 1 - Presentation of financial statements: the amendment requires that the reconciliation of changes in each component of equity is illustrated in the notes or in the financial statements.

- IAS 34 - Interim financial reporting: several examples have been provided in order to clarify the additional disclosures required in interim financial statements.

Application of these changes is not expected to have any significant impact on the Group's financial statements.

On October 7, 2010, the IASB published several amendments to IFRS 7 - Financial instruments: Additional disclosures, applicable for accounting periods beginning on or after July 1, 2011. The amendments will allow users to improve their understanding transfers of financial assets, including an understanding of the possible effects deriving from any risk that may remain with the entity that transferred the assets. The amendments also require additional disclosures in the event that a disproportionate amount of a transfer transaction is undertaken at the end of a reporting period. At the date of these financial statements, the European Union has not yet completed the homologation process needed for the application of the new standard.

On December 20, 2010, the IASB issued an amendment of IAS 12 - Deferred tax: Recovery of underlying assets. The current version requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. To obviate the difficulty and subjectivity of such measurement, the change in question introduces the presumption that a tax asset will be fully recovered through its sale unless there is clear proof that this recovery can be made through use. The presumption will apply to real estate investments and to assets recognised as plant and machinery, or to tangible assets recognised or revalued at fair value.

At the date of these financial statements, the European Union has not yet completed the homologation process needed for the application of the new standard.

### 3. FINANCIAL ASSETS

#### *Classification and initial recognition*

*In accordance with IAS 39, financial assets are to be classified in the following four categories:*

- 1. financial assets at fair value through profit or loss;*
- 2. held-to-maturity investments;*
- 3. loans and receivables;*
- 4. available-for-sale financial assets.*

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

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

#### *Financial assets at fair value through profit or loss*

*This is made up of two sub-categories:*

- financial assets held specifically for trading purposes;*
- financial assets to be measured at fair value under the fair value option designation. This category also includes all financial investments, other than equity instruments that do not have a price quoted on an active market, but for which the fair value can be determined.*

*Derivatives are included in this category, unless they are designated as hedging instruments, and their fair value is booked to the income statement.*

*At the time of initial recognition, financial assets held for trading are recognised at fair value, not including the transaction costs or income associated with the same instruments, which are recognised in the income statement.*

*All of the assets in this category are classified as current if they are held for trading purposes or if they are expected to be sold within 12 months from the end of the reporting period.*

*Designation of a financial instrument to this category is considered final (IAS 39 envisages some exceptional circumstances in which said financial assets may be reclassified in another category) and can only be done on initial recognition.*

#### *Held-to-maturity investments*

*These are non-derivative assets with fixed or determinable payments and fixed maturities which the Group intends to hold to maturity (e.g. subscribed bonds).*

*The intention and ability to hold the security to maturity has to be evaluated on initial recognition and confirmed at the end of each reporting period.*

*In the case of early disposal of securities belonging to this category (for a significant amount and not motivated by particular events), the entire portfolio is reclassified to financial assets available for sale and restated at fair value.*

*At the end of the year the Group did not hold financial assets classified in this category.*

#### *Loans and receivables*

*These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and in which the Group does not intend to trade.*

*They are included in current assets except for the portion falling due beyond 12 months from the end of the reporting period, which is classified as non-current.*



### Available-for-sale financial assets

*This is a residual category represented by non-derivative financial assets that are designated as available for sale and which have not been assigned to one of the previous categories.*

*“Available-for-sale financial assets” are recorded at their fair value including related purchase costs.*

*They are classified as non-current assets, unless management intends to dispose of them within 12 months from the end of the reporting period.*

### **Subsequent measurement**

*Gains and losses on “Financial assets at fair value through profit or loss” are immediately booked to the income statement.*

*“Available-for-sale financial assets” are measured at fair value unless a market price or fair value cannot be reliably determined. In this case the cost method is used.*

*Gains and losses on “Available-for-sale financial assets” are booked to a separate equity item until they have been sold or cease to exist, or until it has been ascertained that they have suffered an impairment loss. When such events take place, all gains or losses recognized and booked to equity up to that moment are transferred to the income statement.*

*Fair value is the amount for which an asset could be exchanged, or a liability extinguished, in an arm’s length transaction between informed and independent parties. Consequently, it is assumed that the holder is a going-concern entity and that none of the parties needs to liquidate their assets in a forced sale at unfavourable conditions.*

*In the case of securities traded on regulated markets, fair value is determined with reference to the bid price at the close of trading at the end of the reporting period.*

*In cases where no market valuation is available for an investment, fair value is determined either on the basis of the current market value of another very similar financial instrument or by using appropriate financial techniques (such as discounted cash flow analysis).*

*Purchases or sales regulated at “market prices” are recognized on the day of trading, which is the day on which the Group takes a commitment to buy or sell the asset.*

*In situations where the fair value cannot be reliably determined, the financial asset is carried at cost, with disclosure in the notes of its type and the reasons for measuring it at cost.*

*“Held-to-maturity investments” (cat. 2) and “Loans and receivables” (cat. 3) are measured at their “amortized cost” using the effective interest rate and taking account of any discounts or premiums obtained at the time of acquisition so that they can be recognized over the entire period until their maturity. Gains or losses are booked to the income statement either at the time that the investment reaches maturity or when an impairment arises, in the same way that they are recognized during the normal process of amortization that is part of the “amortized cost” method.*

*Investments in financial assets can only be derecognized once the contractual rights to receive the cash flows deriving from such investments have expired (e.g. final redemption of bonds) or if the Group transfers the financial asset and all of the risks and benefits attached to it.*



## B) SEGMENT INFORMATION

### 4. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business and geographical area).

The operating segments and performance indicators have been determined on the basis of the reports used by the Group's Managing Director for taking strategic decisions.

#### Business segments

With regard to the business segments, information concerning the two Divisions – Filter and Suspension – is provided, in addition to information on the Holding Company Sogefi S.p.A. and the subsidiary Sogefi Purchasing S.a.S. for the purpose of a reconciliation with consolidated values.

The tables below provide the Group's income statement and statement of financial position figures for 2009 and 2010:

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

(in thousands of Euro)	2010				
	Filter Division	Suspension Division	Sogefi SpA / Sogefi Purch. SaS	Adjustments	Sogefi consolidated f/s
<b>REVENUES</b>					
<i>Sales to third parties</i>	464,044	460,644	-	-	924,688
<i>Intersegment sales</i>	1,089	988	16,903	(18,955)	25
<b>TOTAL REVENUES</b>	<b>465,133</b>	<b>461,632</b>	<b>16,903</b>	<b>(18,955)</b>	<b>924,713</b>
<b>RESULTS</b>					
<i>EBIT</i>	19,430	27,546	(5,053)	(150)	41,773
<i>Financial expenses, net</i>					(9,554)
<i>Income from equity investments</i>					200
<i>Losses from equity investments</i>					-
<i>Result before taxes</i>					32,419
<i>Income taxes</i>					(11,570)
<i>Loss (profit) attributable to non-controlling interests</i>					(2,028)
<b>NET RESULT</b>					<b>18,821</b>
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>ASSETS</b>					
<i>Segment assets</i>	298,279	411,944	420,153	(485,956)	644,420
<i>Equity investments in associates</i>	-	-	-	-	-
<i>Unallocated assets</i>	-	-	-	94,896	94,896
<b>TOTAL ASSETS</b>	<b>298,279</b>	<b>411,944</b>	<b>420,153</b>	<b>(391,060)</b>	<b>739,316</b>
<b>LIABILITIES</b>					
<i>Segment liabilities</i>	184,859	257,530	256,444	(173,919)	524,914
<b>TOTAL LIABILITIES</b>	<b>184,859</b>	<b>257,530</b>	<b>256,444</b>	<b>(173,919)</b>	<b>524,914</b>
<b>OTHER INFORMATION</b>					
<i>Increase in tangible and intangible fixed assets</i>	16,631	19,146	250	-	36,027
<i>Depreciation, amortization and writedowns</i>	20,946	24,605	474	151	46,176

The adjustments to “Total revenues” mainly refer to services provided by the Holding Company Sogefi S.p.A. and by the subsidiary Sogefi Purchasing S.a.S. to other Group companies (see note 40 for further details on the nature of the services provided). This item also includes sales between the Filter and Suspension Divisions.

The adjustments to “EBIT” mainly refer to depreciation on the fixed assets revaluations resulting from the acquisition of 40% of Sogefi Rejna S.p.A. and its subsidiaries in the year 2000.

In the statement of financial position, the adjustments to “Segment assets” refer to the consolidation entry of investments in subsidiaries and intercompany receivables.

The adjustments to “Unallocated assets” mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Alleward Resorts Automobile group, 40% of Sogefi Rejna S.p.A., the Filtrauto group and 60% of Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

Note that “non-current assets held for sale” (€ 722 thousand as of December 31, 2010) refer to the “Suspension Division”.

## Geographical areas

The following tables provide a breakdown of the Group's income statement and statement of financial position figures by geographical area "of origin" for the years 2009 and 2010, based on the country of the company which made the sales or which owns the assets.

The breakdown of revenues by geographical area "of destination", in other words with regard to the nationality of the customer, is analyzed in the directors' report and in the notes to the income statement.

(in thousands of Euro)	2009				
	Europe	South America	Other	Adjustments	Sogefi consolidated f/s
REVENUES					
Sales to third parties	606,972	152,635	21,380	-	780,987
Intersegment sales	20,759	679	547	(21,985)	-
<b>TOTAL REVENUES</b>	<b>627,731</b>	<b>153,314</b>	<b>21,927</b>	<b>(21,985)</b>	<b>780,987</b>

### STATEMENT OF FINANCIAL POSITION

#### ASSETS

Segment assets	1,144,594	99,287	40,871	(629,398)	655,354
Equity investments in associates	101	-	-	-	101
Unallocated assets	-	-	-	95,421	95,421
<b>TOTAL ASSETS</b>	<b>1,144,695</b>	<b>99,287</b>	<b>40,871</b>	<b>(533,977)</b>	<b>750,876</b>

#### OTHER INFORMATION

Increase in tangible and intangible fixed assets	26,689	5,852	5,146	(3,361)	34,326
Depreciation, amortization and writedowns	31,843	5,205	1,757	4,156	42,961

(in thousands of Euro)

2010

	Europe	South America	Other	Adjustments	Sogefi consolidated f/s
REVENUES					
Sales to third parties	673,191	219,530	31,967	-	924,688
Intersegment sales	21,799	880	17	(22,671)	25
<b>TOTAL REVENUES</b>	<b>694,990</b>	<b>220,410</b>	<b>31,984</b>	<b>(22,671)</b>	<b>924,713</b>

### STATEMENT OF FINANCIAL POSITION

#### ASSETS

Segment assets	1,072,048	125,104	54,887	(607,619)	644,420
Equity investments in associates	-	-	-	-	-
Unallocated assets	-	-	-	94,896	94,896
<b>TOTAL ASSETS</b>	<b>1,072,048</b>	<b>125,104</b>	<b>54,887</b>	<b>(512,723)</b>	<b>739,316</b>

#### OTHER INFORMATION

Increase in tangible and intangible fixed assets	24,294	6,981	5,344	(592)	36,027
Depreciation, amortization and writedowns	35,650	6,423	1,988	2,115	46,176

## Information on the main customers

As of December 31, 2010 revenues generated from third party customers for a value exceeding 10% of Group revenues refer to: PSA (13.1% of total revenues) and Renault/Nissan (11.4% of total revenues).

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

### C 1) ASSETS

#### 5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to € 66,760 thousand versus € 111,583 thousand as of December 31, 2009 and break down as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Short-term cash investments	66,521	111,371
Cheques	158	142
Cash on hand	81	70
TOTAL	66,760	111,583

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

The fall in “Short-term cash investments” together with the rise of the liability item “Bank overdrafts and short-term loans” reflects the use of net cash and cash equivalents to reduce the debt relating to the syndicated revolving loan expiring in June 2013.

For further details, please refer to the Analysis of the Net Financial Position in Note 22 and to the Consolidated Cash Flow Statement included in the accounting schedules.

As of December 31, 2010 the Group has unutilized lines of credit of € 258,498 thousand. All of their conditions are respected, which means that these funds are available for use on demand.

#### 6. OTHER FINANCIAL ASSETS

“Other financial assets” can be broken down as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Securities held for trading	18	21
Assets for derivative financial instruments	182	25
TOTAL	200	46

“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.

“Assets for derivative financial instruments” total € 182 thousand and refer to the fair value of the forward foreign exchange contracts. The increase in the item is linked to the trends in exchange rates at year end. Further details can be found in the analysis of financial instruments contained in note 39.

## 7. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	12.31.2010			12.31.2009		
	Gross	Writedowns	Net	Gross	Writedowns	Net
Raw, ancillary and consumable materials	43,839	4,015	39,824	36,106	4,623	31,483
Work in progress and semi-finished products	12,445	269	12,176	10,617	305	10,312
Contract work in progress and advances	4,264	-	4,264	3,636	-	3,636
Finished goods and goods for resale	49,996	7,804	42,192	47,797	7,313	40,484
<b>TOTAL</b>	<b>110,544</b>	<b>12,088</b>	<b>98,456</b>	<b>98,156</b>	<b>12,241</b>	<b>85,915</b>

€ 2,293 thousand of the increase in the gross value of inventory can be associated to the positive impact of exchange rates, while the remainder is the result of the increase in production volumes.

Writedowns mainly consist of provisions for raw materials that can no longer be used for current production and for obsolete or slow-moving finished products, goods for resale and ancillary materials. The decrease in the provisions is linked to the scrapping of products totalling € 690 thousand in the year, partly offset by further accruals for € 379 thousand (recorded in the income statement under the item "Variable costs of sales") and to a positive exchange effect of € 158 thousand.

Inventories are encumbered by mortgages and bank guarantees totalling € 1,288 thousand to secure loans obtained by the subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

## 8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Trade receivables	141,430	127,935
Less: allowance for doubtful accounts	5,852	5,752
Trade receivables, net	135,578	122,183
Due from Parent Company	3,237	4,307
Due from associates	-	59
Tax receivables	12,178	9,911
Other receivables	10,232	5,545
Other assets	2,485	3,055
<b>TOTAL</b>	<b>163,710</b>	<b>145,060</b>

"Trade receivables, net" are non-interest bearing and have an average due date of 46 days, against 50 days recorded at the end of the previous year.

It should be noted that as of December 31, 2010, the Group factored trade receivables for € 37,563 thousand (€ 30,373 thousand as of December 31, 2009). The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised from the Statement of Financial Position debiting the consideration received from the factoring company.

If the factoring transactions (€ 37,563 thousand as at December 31, 2010 and € 30,373 thousand as at December 31, 2009) and the appreciation of receivables due to the exchange rate (€ 3,973 thousand) are excluded, trade receivables show an increase of € 16,712 thousand as a result of the increase in the Group's business activities in 2010 with respect to the previous year, partly balanced by a reduction in average collection days.

Further adjustments were booked to the “Allowance for doubtful accounts” during the year for a total of € 1,373 thousand, against net utilizations of the allowance of € 1,351 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, 2010 is the amount receivable from the Parent Company CIR S.p.A. arising from the Group tax filing system.

See chapter F for the terms and conditions governing these receivables.

“Tax receivables” as of December 31, 2010 include tax credits due to the Group companies by the tax authorities of the various countries. It does not include deferred taxes which are treated separately.

The increase in this item compared to the previous year is due mainly to the increase of VAT credit of the subsidiary Allevard Rejna Autosuspensions S.A. for purchases made in the last few months of the year and to indirect taxes associated with the import of goods by the subsidiary Allevard Molas do Brasil Ltda.

“Other receivables” are made up as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Amounts due from social security institutions	629	793
Amounts due from employees	224	340
Advances to suppliers	463	366
Due from others	8,916	4,046
<b>TOTAL</b>	<b>10,232</b>	<b>5,545</b>

The decrease in “Amounts due from social security institutions” mainly relates to advance payment recovery of the previous years by the subsidiaries Sogefi Rejna S.p.A. and Lpdn GmbH from social security institutions for employees on redundancy benefits.

The increase of “Other receivables” mainly related to the insurance indemnity of the subsidiary Filtrauto S.A. for product warranties given to customers. In February 2011, the insurance companies collected advance payments totalling € 4,918 thousand.

The item “Other assets” essentially includes accrued income and prepayments on royalties, insurance premiums, indirect taxes relating to products and on costs incurred for sales activities.

The decrease in the item is mainly due to recognition in the income statement of the appropriate share of the costs incurred in 2008 by the subsidiary Filtrauto S.A. for a new four-year distribution contract.



## 9. TANGIBLE FIXED ASSETS

The net carrying amount of tangible fixed assets as of December 31, 2010 amounted to € 227,146 thousand versus € 231,529 thousand at the end of the previous year and breaks down as follows:

<i>(in thousands of Euro)</i>	2010				
	<i>Land</i>	<i>Buildings, plant and machinery, commercial and industrial equipment</i>	<i>Other assets</i>	<i>Assets under construction and payments on account</i>	<i>TOTAL</i>
Balance at January 1	14,175	188,869	5,731	22,754	231,529
<i>Additions of the period</i>	-	10,901	738	12,665	24,304
<i>Disposals during the period</i>	(9)	(520)	(53)	-	(582)
<i>Exchange differences</i>	215	5,815	300	1,266	7,596
<i>Depreciation for the period</i>	-	(33,097)	(1,577)	-	(34,674)
<i>Writedowns/revaluations during the period</i>	-	(171)	(72)	(694)	(937)
<i>Other changes</i>	42	17,348	(789)	(16,691)	(90)
Balance at December 31	14,423	189,145	4,278	19,300	227,146
<i>Historical cost</i>	14,423	733,874	27,322	19,994	795,613
of which: leases - gross value	1,158	18,335	15	-	19,508
<i>Accumulated depreciation</i>	-	544,729	23,044	694	568,467
of which: leases - accumulated depreciation	-	5,750	5	-	5,755
<i>Net value</i>	14,423	189,145	4,278	19,300	227,146
Net value - leases	1,158	12,585	10	-	13,753

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

Investments during the year amounted to € 24,304 thousand compared with € 22,557 thousand in the previous year.

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

In the “Buildings, plant and machinery, commercial and industrial equipment” category, the main investments are reported in the subsidiaries Allevard Rejna Autosuspensions S.A., Allevard Springs Ltd, Allevard Rejna Argentina S.A. e Sogefi Filtration d.o.o. for the update of plants and the improvement of production processes; in Sogefi Filtration Ltd for the development of a new product, for the maintenance and improvement of plants and processes; in LPDN GmbH for a new production process for stabiliser bars and for the renewal of equipments; in ISSA S.L. for the development of a production line relating to a new product; in Sogefi Filtration do Brasil Ltda for the renewal of several machines; in Sogefi MNR Filtration India Private Ltd and EMW Environmental Technologies Private Ltd for the increases in production following the rise in internal and external demand and lastly in S.ARA Composites S.A.S. for the spring prototypes line in composite material.

Numerous other smaller investments were also made during the year, which focused on upgrading production plants and production layouts.

The most important projects in the “Assets under construction and payments on account” category include investments in the subsidiaries Allevard Rejna Autosuspensions S.A., Filtrauto S.A. and Sogefi Filtration Ltd for the internal development of new products and technologies; in Allevard Molas do Brasil Ltda for the increase in production capacity of hot production line and for improvements to production processes; in Sogefi Filtration Argentina S.A. for building improvements; in Sogefi Filtration do Brasil Ltda for the development of equipments and the safety compliance of production plants and lastly in S.ARA Composites S.A.S. for a new winding system related to the spring prototypes line in composite material.

“Disposals during the period” refer mainly to the sale of the Oyartzun plant belonging to the subsidiary Sogefi Filtration S.A..

“Writedowns/revaluations during the period” totalled € 937 thousand and mainly refers to the writedown of equipments underway in the subsidiary Filtrauto S.A. following the interruption of a project linked to the development of a new product.

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

The balance of “Assets under construction and payments on account” as of December 31, 2010 includes € 3 thousand of advances for investments.

The main inactive assets, with a total net value of € 7,082 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 e San Felice del Benaco). The book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not subject to the accounting treatment envisaged by IFRS 5.

In addition, Allevard Sogefi USA Inc. subsidiary owns a production line temporarily not in use for an amount of € 7,700 thousand. The production will start again because of new customers’ orders.

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

## Guarantees

As of December 31, 2010 tangible fixed assets are encumbered by mortgages or liens totalling € 2,273 thousand to guarantee loans from financial institutions, compared to € 824 thousand as of December 31, 2009.

Guarantees as of December 31, 2010 refer exclusively to the Indian subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd.

## Purchase commitments

As of December 31, 2010 there are binding commitments to buy tangible fixed assets for € 4,266 thousand (€ 746 thousand as of December 31, 2009) mainly relating to the subsidiaries Allevard Rejna Autosuspensions S.A. e S.ARA Composite S.A.S.. Said commitments will be settled within 12 months.

## Leases

The book value of assets under financial leases as of December 31, 2010 was € 19,508 thousand, and the related accumulated depreciation amounted to € 5,755 thousand. It should be noted that in 2010, the subsidiary Allevard Sogefi USA Inc. entered into a new financial lease agreement for the amount of USD 1,103 thousand.

The financial aspects of the lease payments and their due dates are explained in note 16.

## 10. INTANGIBLE ASSETS

The net balance as of December 31, 2010 was € 133,489 thousand versus € 131,372 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2010				
	Development costs	Industrial patents and intellectual property rights, concessions, licences and trademarks	Other, assets under construction and payments on account	Goodwill	TOTAL
Balance at January 1	25,199	5,944	6,150	94,079	131,372
Additions of the period	7,334	139	4,250	-	11,723
Disposals during the period	(36)	-	(52)	-	(88)
Exchange differences	801	3	237	-	1,041
Amortization for the period	(8,251)	(1,537)	(462)	-	(10,250)
Writedowns during the period	(315)	-	-	-	(315)
Other changes	2,892	499	(3,385)	-	6
Balance at December 31	27,624	5,048	6,738	94,079	133,489
Historical cost	78,773	19,958	10,491	116,977	226,199
Accumulated amortization	51,149	14,910	3,753	22,898	92,710
Net value	27,624	5,048	6,738	94,079	133,489

<i>(in thousands of Euro)</i>	2009				
	<i>Development costs</i>	<i>Industrial patents and intellectual property rights, concessions, licences and trademarks</i>	<i>Other, assets under construction and payments on account</i>	<i>Goodwill</i>	<i>TOTAL</i>
Balance at January 1	21,977	3,147	8,060	94,071	127,255
Additions of the period	6,576	642	4,551	-	11,769
Disposals during the period	(10)	(10)	-	-	(20)
Exchange differences	1,150	(22)	64	-	1,192
Amortization for the period	(6,952)	(1,103)	(443)	-	(8,498)
Writedowns during the period	(328)	(8)	-	-	(336)
Other changes	2,786	3,298	(6,082)	8	10
Balance at December 31	25,199	5,944	6,150	94,079	131,371
Historical cost	67,667	19,258	9,349	116,977	213,251
Accumulated amortization	42,468	13,314	3,199	22,898	81,879
Net value	25,199	5,944	6,150	94,079	131,372

*Investments made in the period amounted to € 11,723 thousand compared to € 11,769 thousand in the previous year.*

*The increases in “Development Costs” refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers. The largest investments refer to the subsidiary Filtrauto S.A..*

*The additions to “Others, assets under construction and payments on account” are principally due to the costs incurred for the acquisition or internal production of intangible assets not yet in use. The most important investments were made in subsidiaries Alleward Rejna Autosuspensions S.A. e Sogefi Rejna S.p.A. for new product development; this item also includes investments for the implementation of the new management information system in the Suspension Division and for the implementation of the new management information system in the subsidiary Sogefi Purchasing S.A.S..*

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

*The line “Writedowns during the period” mostly refers to the writedowns made by the subsidiary Filtrauto S.A. following the interruption of a project linked to the development of a new product.*

*“Development costs” principally include costs generated internally, whereas “Industrial patent and intellectual property rights, concessions, licences and trademarks” consist of factors that are largely acquired externally.*

*“Others, assets under construction and payments on account” include around € 3,610 thousand of costs generated internally.*

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

### **Goodwill and impairment test**

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

*The Company has identified four CGUs (Cash Generating Units) to which the goodwill deriving from acquisitions could be allocated:*

- filter*
- car suspension*
- industrial vehicle suspension*
- precision springs*

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

*The goodwill allocated to the Filter Division amounts to € 77,030 thousand, while € 17,049 thousand has been allocated to the Car Suspension Division.*

*Impairments tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with 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 2011-2014, 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 8.3%, which reflects the weighted average cost of capital.*

*The terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate of 2% and considering an operating cash flow based on the last year of the long-term plan (the year 2014), 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 of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers. The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:*

- financial structure of the industry: 27.7%*
- unlevered beta of the industry: 1.07*
- risk free rate: 2.9%*
- risk premium: 5%*
- spread: 1%*

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

*The test based on the present value of the estimated future cash flows justifies a level of goodwill that is considerably higher than the amount shown in the statement of financial position, so no writedown has been posted.*

## 11. INVESTMENTS IN ASSOCIATES

*In 2010, the associate Allevard Ressorts Composites S.A.S. was liquidated. The liquidation procedure generated a gain of € 147 thousand, included in "Losses (gains) from equity investments" together with the dividends already received during the course of the year totalling € 50 thousand.*

## 12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2010 these totalled € 440 thousand, compared with € 472 thousand as of December 2009 and break down as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Equity investments in other companies	440	441
Other securities	-	31
TOTAL	440	472

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.

The financial assets included under “Other securities” were sold during the course of the first half of 2010.

## 13. FINANCIAL RECEIVABLES AND OTHER RECEIVABLES

As of December 31, 2010, “Financial receivables” corresponded to zero.

As of December 31, 2009, this item mainly included the non-current portion of the fair value of interest rate risk hedging contracts.

“Other receivables” break down as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Substitute tax	576	576
Pension fund surplus	8,039	6,926
Other receivables	1,531	1,527
TOTAL	10,146	9,029

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

The “Pension fund surplus” refers to the subsidiaries Sogefi Filtration Ltd (€ 7,870 thousand) and Sogefi Filtration B.V. (€ 169 thousand). 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.

## 14. DEFERRED TAX ASSETS

As of December 31, 2010 this item amounts to € 38,247 thousand compared with € 35,001 thousand as of December 31, 2009.

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

This item includes the net value of € 722 thousand of the building of the UK subsidiary, United Springs Ltd, held for sale.



## C 2) LIABILITIES AND EQUITY

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

These break down as follows:

#### Current portion

<i>(in thousands of Euro)</i>	12.31.2010	12.31.2009
Bank overdrafts and short-term loans	35,958	4,327
Current portion of medium/long-term financial debts	42,773	67,378
of which: leases	1,866	1,679
<b>TOTAL SHORT-TERM FINANCIAL DEBTS</b>	<b>78,731</b>	<b>71,705</b>
Other short-term liabilities for derivative financial instruments	164	1,023
<b>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>78,895</b>	<b>72,728</b>

#### Non-current portion

<i>(in thousands of Euro)</i>	12.31.2010	12.31.2009
Financial debts to banks	141,406	196,169
Other medium/long-term financial debts	9,562	10,902
of which: leases	7,187	8,034
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</b>	<b>150,968</b>	<b>207,071</b>
Other medium/long-term financial liabilities for derivative financial instruments	2,042	2,124
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>153,010</b>	<b>209,195</b>

#### Bank overdrafts and short-term loans

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

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

As of December 31, 2010, this item principally includes the following loans:

- the current portion of € 22,200 thousand of a € 100,000 thousand loan obtained by the Holding Company Sogefi S.p.A. in 2006 (the residual amount as of December 31, 2010 was € 66,244 thousand). The loan expires in September 2013 and has a floating interest rate corresponding to the Euribor plus a spread of 70 basis points. The spread actually applied at the end of 2010 corresponded to 70 basis points. The loan is not secured against any of the company's assets;
- the current portion of € 11,111 thousand of a € 50,000 thousand loan obtained by the Holding Company Sogefi S.p.A. in 2006 (the residual amount as of December 31, 2010 was € 30,416 thousand). The loan expires in September 2013 and has a floating interest rate corresponding to the Euribor plus a spread of 60 basis points. The spread actually applied at the end of 2010 corresponded to 60 basis points. 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.

Note that in the first half of 2010, the Group repaid the current portion as of December 31, 2009, corresponding to € 20 million, of the syndicated revolving loan obtained by the Holding Company Sogefi S.p.A. in 2008.

### 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. The decrease of this item is linked to the changes in interest rates and exchange rates at the end of 2010. 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:

- the syndicated revolving loan obtained by the Holding Company Sogefi S.p.A. in 2008 for a total of € 160 million, € 69,702 thousand of which had been drawn down as of December 31, 2010. Note that in the first half of 2010, the Group repaid € 40 million of the medium/long-term draw down as of December 31, 2009. The loan expires in June 2013 and has a floating interest rate corresponding to Euribor plus a spread of 50 basis points. The spread actually applied at the end of 2010 corresponded to 50 basis points;
- the medium-long term portion of € 44,044 thousand of the € 100,000 thousand loan obtained by the Holding Company Sogefi S.p.A. in 2006;
- the medium-long term portion of € 19,305 thousand of the € 50,000 thousand loan obtained by the Holding Company Sogefi S.p.A. in 2006.

In December 2010, the Holding Company Sogefi S.p.A. signed a loan agreement for a total of € 40 million with the European Investment Bank (EIB) to support the Sogefi Group's Research, Development and Innovation plan, which envisages the use of € 115 million between 2009 and 2012.

The loan has a maximum term of 6.5 years and 50% of the same is guaranteed by the Italian financial insurance group SACE.

As of December 31, 2010, the company had not made any draw-down as regards the above loan.

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

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

(in thousands of Euro)	Instalments	Capital
Within 12 months	2,317	1,866
Between 1 and 5 years	5,219	3,845
Beyond 5 years	4,336	3,342
Total lease payments	11,872	9,053
Interests	(2,819)	-
TOTAL PRESENT VALUE OF LEASE PAYMENTS	9,053	9,053

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 GBP 2,650 thousand, the future capital payments amount to GBP 2,298 thousand and the annual nominal rate of interest applied by the lessor is 11.61%.

The Group has not given any 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 two lease contracts for the following production sites:

a) Lieusaint: the contract expires in October 2014 and the original total amount of the contract was € 6,575 thousand, the future capital payments amount to € 2,253 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 60 basis points. The Group has not given any sureties for this contract;

b) Fronville: the contract expires in June 2012 and the original total amount of the contract was € 6,412 thousand, the future capital payments amount to € 1,078 thousand and the annual nominal rate of interest applied by the lessor is 3-month Euribor plus a spread of 72 basis points. The Group has not given any sureties for this contract.

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

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

a) plants, machinery and improvements to the building for an original amount of USD 1,600 thousand. The contract expires in May 2019, the future capital payments amount to USD 1,387 thousand and the annual interest rate applied by the lessor is equal to 3.92%. The Group has not given any sureties for this contract;

b) plant, machinery and improvements to the building for an original amount of USD 1,897 thousand, increased to USD 3,000 thousand during the course of 2010. The contract expires in July 2019, the future capital payments amount to USD 2,692 thousand and the annual interest rate applied by the lessor is equal to 3%. The Group has not given any sureties for this contract.

There are no restrictions of any nature on both lease contracts. 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)	12.31.2010	12.31.2009
Trade and other payables	210,019	199,818
Tax payables	6,235	2,727
<b>TOTAL</b>	<b>216,254</b>	<b>202,545</b>

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Due to suppliers	159,819	149,522
Due to the Parent Company	263	-
Due to tax authorities for indirect and other taxes	7,495	10,423
Due to social and security institutions	15,123	14,650
Due to employees	20,647	19,593
Other payables	6,672	5,630
<b>TOTAL</b>	<b>210,019</b>	<b>199,818</b>

The amounts “Due to suppliers” are not subject to interest and on average are settled in 78 days, compared to 92 days recorded in 2009.

There is no significant concentration of payables due to any one supplier or small group of suppliers.

€ 2,494 thousand “Due to suppliers” increase is linked to the exchange rates effect. The remainder increase is linked to the growth in business volumes, partially offset by a reduction in the average payment times.

The fall in the item “Due to tax authorities for indirect and other taxes” is mainly due to the payment by the subsidiary Sogefi Filtration do Brasil Ltda of € 4,009 thousand resulting from the settlement of a tax litigation at the end of the previous year, partially offset by a rise in VAT payables following the steady rise in business activities in 2010.

The increase in the amount “Due to employees” is mainly due to higher provisions for holiday leave accrued and not taken consequent to the lesser use of holiday leave by employees following the growth of business activities in 2010.

The increase in “Tax payables” reflects the higher tax burden resulting from the improved results achieved in this period.

## 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.

## 19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
Pension funds	23,714	23,614
Provision for employment termination indemnities	5,578	8,365
Provision for restructuring	8,027	11,056
Provisions for disputes with tax authorities	317	446
Provision for phantom stock options	226	233
Provision for product warranties	705	4,090
Other risks	2,598	2,450
Agents' termination indemnities	81	159
Lawsuits	531	620
<b>TOTAL</b>	<b>41,777</b>	<b>51,033</b>

Details of the main items are given below.

### Pension funds

The amount of € 23,714 thousand represents what was 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, 2010 the pension funds of the subsidiaries Sogefi Filtration Ltd and Sogefi Filtration B.V. show a surplus of € 7,870 thousand and € 169 thousand, respectively, which have been reported on the line “Other receivables”, as explained in note 13. The net amount of the liabilities to the various pension funds as of December 31, 2010 is therefore equal to € 15,675 thousand, as presented in the following table which shows movements in “Pension funds” during the course of the year:

<i>(in thousands of Euro)</i>	12.31.2010	12.31.2009
Opening balance	16,688	19,422
Cost of benefits charged to income statement	2,219	638
Contributions paid	(3,055)	(3,153)
Exchange differences	(177)	(219)
<b>TOTAL</b>	<b>15,675</b>	<b>16,688</b>
of which booked to liabilities	23,714	23,614
of which booked to assets	(8,039)	(6,926)

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

<i>(in thousands of Euro)</i>	2010	2009
Current service cost	1,010	722
Interest cost	8,633	7,876
Expected return on plan assets	(8,740)	(7,578)
Actuarial (gains) losses recognized during the year	1,316	(382)
<b>TOTAL</b>	<b>2,219</b>	<b>638</b>

*The item “Current service cost” is included in the various lines devoted to “Labour cost” in the income statement. The item includes a benefit equal to € 808 thousand arising from the reduction in the French subsidiaries’ pension funds following the reduction in the number of employees due to the restructuring plans underway (as of December 31, 2009, said benefit was € 1,418 thousand).*

*“Interest cost” and “Expected return on plan assets” are included in “Financial expenses (income), net”.*

*The “Actuarial (gains) losses recognized during the year” are included in “Other non-operating expenses (income)”. The losses for the year are mainly due to the application of the limit to the value of assets resulting from employee benefits that may be recognised in the financial statements.*

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

<i>(in thousands of Euro)</i>	12.31.2010	12.31.2009
Great Britain	(6,741)	(5,698)
France	19,365	19,174
Germany	2,886	2,995
Other	165	217
<b>TOTAL</b>	<b>15,675</b>	<b>16,688</b>

*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 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:*

	12.31.2010	12.31.2009
Discount rate %	5.5	5.7
Expected rate of return on plan assets %	2.0-7.5	2.0-7.5
Expected annual wage rise %	3.4-4.4	3.4-4.4
Annual inflation rate %	3.4	3.4
Retirement age	65	65

*It is specified that the range of values presented for the “Expected rate of return on plan assets %” refers to the various types of assets included in the basket (shares, bonds, cash).*

*The reduction in the “Discount rate” is the result of the downward trend in returns on AA-rated corporate bonds recorded in 2010.*

## 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:*

	12.31.2010	12.31.2009
Discount rate %	4.5	5.0-5.25
Expected annual wage rise %	2.0-4.5	2.5-4.5
Annual inflation rate %	2.0	2.0
Retirement age	62-65	60-65

*The reduction in the “Discount rate” compared with the previous year is mainly due to the downward trend in returns on AA-rated corporate bonds recorded in 2010.*

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

(in thousands of Euro)	12.31.2010	12.31.2009
Present value of defined benefit obligations	164,835	151,614
Fair value of plan assets	(144,044)	(130,352)
Deficit	20,791	21,262
Liabilities recorded in “Long-term provisions”	23,714	23,614
Surplus recorded in “Other receivables”	(8,039)	(6,926)
Unamortised past service cost	2,238	196
Unrecognized actuarial (gains) losses	2,878	4,378



The amount of the “Present value of defined benefit obligations” and of the “Fair value of plan assets” as of December 31, 2010 has been affected by the appreciation of the British pound, against the Euro, at the end of 2010 compared to the same period of the previous year. If we exclude the exchange effect, the “Present value of defined benefit obligations” is equal to € 160,544 thousand and the “Fair value of plan assets” amounts to € 139,692 thousand, with the “Deficit” standing at € 20,852 thousand.

Exchange rates being equal, the increase in the “Present value of defined benefit obligations” is justified by the decrease in the discount rate. The improvement in the financial markets at the end of 2010 with respect to the same period of 2009 led to an increase of the “Fair value of plan assets”.

The “Unamortised past service cost” reflects the increase of pension benefits recorded 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 sum of the gains and losses not booked to the income statement as lower than the threshold of the corridor.

### **Provision for employment termination indemnities (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.

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

- *Macroeconomic assumptions:*

1. discount rate: 4.5%
2. annual inflation rate: 2%
3. annual increase in termination indemnity: 3%

- *Demographic assumptions:*

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

The provision has changed as follows during the period:

(in thousands of Euro)	12.31.2010	12.31.2009
Opening balance	8,365	10,190
Accruals for the period	409	575
Contributions paid	(3,196)	(2,400)
<b>TOTAL</b>	<b>5,578</b>	<b>8,365</b>

“Contributions paid” mainly refer to the employees of the subsidiary Sogefi Rejna S.p.A..

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

(in thousands of Euro)	2010	2009
Current service cost	93	85
Interest cost	301	458
Actuarial (gains) losses recognized during the period	15	32
<b>TOTAL</b>	<b>409</b>	<b>575</b>

The actuarial losses unrecognised, because lower than the threshold of the corridor, amount to € 775 thousand as of December 31, 2010 (€ 570 thousand as of December 31, 2009).

### 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)	12.31.2010	12.31.2009
Opening balance	11,056	4,460
Accruals for the period	7,122	8,309
Utilizations	(10,062)	(1,591)
Provisions not used during the period	(93)	(122)
Exchange differences	4	-
<b>TOTAL</b>	<b>8,027</b>	<b>11,056</b>

The “Accruals for the period” refer to the reorganisation of production activities for the closure of two plants in France, the filtration plant in Louvigné and the precision springs plant in Mussey and the reorganisation of the Dutch company selling filters. “Utilizations” have been booked mainly as reductions of provisions previously set aside for restructuring projects planned and initiated in previous years and completed or being completed in both divisions.

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” amount to € 7,029 thousand; this figure is recorded in the income statement under “Restructuring costs”.

### Provisions for disputes with tax authorities

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

The provision has changed as follows during the period:

(in thousands of Euro)	12.31.2010	12.31.2009
Opening balance	446	5.491
Accruals for the period	-	-
Utilizations	(129)	(404)
Provisions not used during the period	-	(1,545)
Other changes	-	(3,973)
Exchange differences	-	877
<b>TOTAL</b>	<b>317</b>	<b>446</b>

### Provision for phantom stock options

This item amounted to € 226 thousand (€ 233 thousand as of December 31, 2009) and refers to the fair value accrual for incentive schemes providing for a cash payment, known as phantom stock options, for the Managing Director of the Holding Company. 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)	12.31.2009			
	Provision for product warranties	Other risks	Agents’ termination indemnities	Lawsuits
Opening balance	936	3.010	148	834
Accruals for the period	3,490	696	11	315
Utilizations	(60)	(390)	-	(331)
Provisions not used during the period	(269)	(946)	-	(191)
Exchange differences	(7)	80	-	(7)
<b>TOTAL</b>	<b>4,090</b>	<b>2,450</b>	<b>159</b>	<b>620</b>

(in thousands of Euro)	12.31.2010			
	Provision for product warranties	Other risks	Agents’ termination indemnities	Lawsuits
Opening balance	4,090	2,450	159	620
Accruals for the period	151	1,274	4	112
Utilizations	(3,317)	(389)	(82)	(184)
Provisions not used during the period	(221)	(776)	-	(22)
Exchange differences	2	39	-	5
<b>TOTAL</b>	<b>705</b>	<b>2,598</b>	<b>81</b>	<b>531</b>

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.

“Utilizations” refer mainly to the net amounts paid by the subsidiary Filtrauto S.A. for product warranties given to

customers; at the same time, the item “Other receivables” in current assets includes the relative insurance indemnity. 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.

The increase in the item “Other risks” mainly refers to the accruals for disputes with employees (€ 506 thousand), noise pollution risks (€ 226 thousand) and environmental risks (€ 225 thousand).

“Provisions not used in the period” of the item “Other risks” mainly refer to the reduction of the provisions set aside by the subsidiary LPDN GmbH to cover disputes with customers 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. The reduction of the provision is explained by a change in German legislation governing this treatment.

The “Accruals for the period” and “Utilisations” of “Lawsuits” mainly refer to disputes with employees.

## Other payables

“Other payables” totalled € 410 thousand (€ 382 thousand as of December 31, 2009) and regard the subsidiary LPDN GmbH.

## 20. DEFERRED TAX ASSETS AND LIABILITIES

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

(in thousands of Euro)	12.31.2010		12.31.2009	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
<b>Deferred tax assets:</b>				
Allowance for doubtful accounts	2,233	628	2,482	729
Fixed assets writedowns	21,908	6,795	17,486	5,467
Inventory writedowns	6,248	2,015	7,822	2,549
Provisions for restructuring	3,250	1,024	9,812	3,097
Other provisions	18,781	6,203	17,578	5,824
Other	25,960	8,927	27,365	9,205
Deferred tax assets for tax losses incurred during the year	14,057	4,628	20,720	6,672
Deferred tax assets for tax losses incurred during previous years	25,209	8,027	4,863	1,458
<b>TOTAL</b>	<b>117,646</b>	<b>38,247</b>	<b>108,128</b>	<b>35,001</b>
<b>Deferred tax liabilities:</b>				
Accelerated/excess depreciation and amortization	62,802	19,633	60,042	18,683
Difference in inventory valuation methods	819	236	1,134	333
Capitalization of R&D costs	26,609	9,072	25,041	8,543
Other	12,294	3,506	11,466	3,288
<b>TOTAL</b>	<b>102,524</b>	<b>32,447</b>	<b>97,683</b>	<b>30,847</b>
<b>Deferred tax assets (liabilities), net</b>		<b>5,800</b>		<b>4,154</b>
<b>Temporary differences excluded from the calculation of deferred tax assets (liabilities):</b>				
Tax losses carried forward	48,425	18,521	40,424	15,689
Other	(820)	(254)	506	43
<b>TOTAL</b>	<b>47,605</b>	<b>18,267</b>	<b>40,930</b>	<b>15,732</b>

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year.

The change in “Deferred tax assets (liabilities), net” compared with December 31, 2009 amounts to € 1,646 thousand and differs by € 666 thousand from the amount shown in the income statement under “Income taxes – Deferred tax liabilities (assets)” due to movements in financial items that did not have any effect on the income statement and therefore the related tax effect has been recorded in equity (€ 233 thousand), reclassifications or exchange differences.

The decrease in the tax effect in the item “Provisions for restructuring” relates to the use of accruals made in the previous year for production reorganisation mainly implemented in the French subsidiaries.

“Deferred tax assets for tax losses incurred during the year” mainly refer to the subsidiaries Allevard Rejna Autosuspensions S.A., United Springs S.A.S. and Sogefi Filtration Ltd.

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

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

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

## 21. SHARE CAPITAL AND RESERVES

### Share capital

The share capital of the Holding Company Sogefi S.p.A. is fully paid in and as of December 31, 2010 amounts to € 60,546 thousand (€ 60,397 thousand as of December 31, 2009), split into 116,434,992 ordinary shares of a par value of € 0.52 each.

As of December 31, 2010, the Holding Company has 1,956,000 treasury shares in its portfolio, corresponding to 1.68% of share capital.

At the end of January 2011, the share capital increased from € 60,546 thousand to € 60,569 thousand following the subscription of 44,200 shares by several beneficiaries, resulting from 2008 and 2009 stock option plans.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2010	2009
No. shares at start of period	116,148,992	116,148,992
No. shares issued for subscription of stock options	286,000	-
No. of ordinary shares as of December 31	116,434,992	116,148,992
Treasury shares	(1,956,000)	(1,956,000)
No. of shares outstanding as of December 31	114,478,992	114,192,992

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

<i>(in thousands of Euro)</i>	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Reserve for treasury shares</i>	<i>Reserve for reclassification of treasury shares</i>	<i>Translation reserve</i>
Balance at December 31, 2008	60,397	14,491	5,007	(5,007)	(15,825)
<i>Paid share capital increase</i>	-	-	-	-	-
<i>Allocation of 2008 net profit:</i>					
<i>Legal reserve</i>	-	-	-	-	-
<i>Dividends</i>	-	-	-	-	-
<i>Retained earnings</i>	-	-	-	-	-
<i>Net purchase of treasury shares</i>	-	-	-	-	-
<i>Imputed cost of stock options</i>	-	-	-	-	-
<i>Other changes</i>	-	-	-	-	-
<i>Fair value measurement of financial assets available for sale</i>	-	-	-	-	-
<i>Fair value measurement of cash flow hedging instruments: share booked to equity</i>	-	-	-	-	-
<i>Fair value measurement of cash flow hedging instruments: share booked to income statement</i>	-	-	-	-	-
<i>Tax on items booked directly to equity</i>	-	-	-	-	-
<i>Currency translation differences</i>	-	-	-	-	13,285
<i>Net result for the period</i>	-	-	-	-	-
Balance at December 31, 2009	60,397	14,491	5,007	(5,007)	(2,540)
<i>Paid share capital increase</i>	149	148	-	-	-
<i>Allocation of 2009 net profit:</i>					
<i>Legal reserve</i>	-	-	-	-	-
<i>Dividends</i>	-	-	-	-	-
<i>Retained earnings</i>	-	-	-	-	-
<i>Imputed cost of stock options</i>	-	-	-	-	-
<i>Other changes</i>	-	-	-	-	-
<i>Fair value measurement of financial assets available for sale</i>	-	-	-	-	-
<i>Fair value measurement of cash flow hedging instruments: share booked to equity</i>	-	-	-	-	-
<i>Fair value measurement of cash flow hedging instruments: share booked to income statement</i>	-	-	-	-	-
<i>Tax on items booked directly to equity</i>	-	-	-	-	-
<i>Currency translation differences</i>	-	-	-	-	10,669
<i>Net result for the period</i>	-	-	-	-	-
Balance at December 31, 2010	60,546	14,639	5,007	(5,007)	8,129



<i>Legal reserve</i>	<i>Cash flow hedging reserve</i>	<i>Reserve for stock options</i>	<i>Tax on items booked directly to equity</i>	<i>Other reserves</i>	<i>Retained earnings</i>	<i>Net result for the period</i>	<i>Total</i>
12,180	(2,550)	635	701	3,115	59,266	28,495	160,905
-	-	-	-	-	-	-	-
140	-	-	-	-	-	(140)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	28,355	(28,355)	-
-	-	-	-	-	-	-	-
-	-	533	-	-	-	-	533
-	-	-	-	-	256	-	256
-	-	-	-	9	-	-	9
-	(2,471)	-	-	-	-	-	(2,471)
-	1,733	-	-	-	-	-	1,733
-	-	-	200	-	-	-	200
-	-	-	-	-	-	-	13,285
-	-	-	-	-	-	(7,639)	(7,639)
12,320	(3,288)	1,168	901	3,124	87,877	(7,639)	166,811
-	-	-	-	-	-	-	297
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	(7,639)	7,639	-
-	-	540	-	-	-	-	540
-	-	-	-	-	(515)	-	(515)
-	-	-	-	(11)	-	-	(11)
-	(1,556)	-	-	-	-	-	(1,556)
-	2,418	-	-	-	-	-	2,418
-	-	-	(233)	-	-	-	(233)
-	-	-	-	-	-	-	10,669
-	-	-	-	-	-	18,821	18,821
12,320	(2,426)	1,708	668	3,113	79,723	18,821	197,241

#### Reserve for reclassification of treasury shares

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

#### Translation reserve

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

*Movements in the period show an increase of € 10,669 thousand mainly attributable to the appreciation of the Brazilian Real against the Euro.*

#### Cash flow hedging reserve

*This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as hedging instruments in “cash flow hedges”. Changes during the period show an increase of € 862 thousand.*

#### Reserve for stock options

*The reserve refers to the imputed value of stock option plans, assigned to the Managing Director of the Holding Company Sogefi S.p.A., to employees and project workers, resolved after November 7, 2002, including the portion relating to the latest stock option plan approved in 2010.*

#### Retained earnings

*These totalled € 79,723 thousand and include amounts of net profit that have not been distributed.*

*The decrease of € 515 thousand mainly arises from the change in the percentage held in the subsidiary S.ARA Composite S.A.S..*

#### Tax on items booked directly to equity

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

<i>(in thousands of Euro)</i>	2010			2009		
	<i>Gross value</i>	<i>Taxes</i>	<i>Net value</i>	<i>Gross value</i>	<i>Taxes</i>	<i>Net value</i>
<i>- Profit (loss) booked to cash flow hedging reserve</i>	862	(237)	625	(738)	203	(535)
<i>- Profit (loss) booked to fair value reserve for financial assets available for sale</i>	(18)	6	(12)	9	(3)	6
<i>- Profit (loss) booked to translation reserve</i>	11,018	-	11,018	13,231	-	13,231
<i>- Profit (loss) booked directly to equity</i>	11,862	(231)	11,631	12,502	200	12,702

#### NON-CONTROLLING INTERESTS

*The balance amounted to € 17,161 thousand and refers to the portion of shareholders’ equity attributable to non-controlling interests.*

*The increase of € 518 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:

<i>(in thousands of Euro)</i>	12.31.2010	12.31.2009
A. Cash	66,760	111,583
B. Other cash at bank and on hand (details)	-	-
C. Financial instruments held for trading	18	21
<b>D. Liquid funds (A) + (B) + (C)</b>	<b>66,778</b>	<b>111,604</b>
E. Current financial receivables	182	25
F. Current payables to banks	35,958	4,327
G. Current portion of non-current indebtedness	42,773	67,378
H. Other current financial debts	164	1,023
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>78,895</b>	<b>72,728</b>
<b>J. Current financial indebtedness, net (I) - (E) - (D)</b>	<b>11,935</b>	<b>(38,901)</b>
K. Non-current payables to banks	141,406	196,169
L. Bonds issued	-	-
M. Other non-current financial debts	11,604	13,026
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>153,010</b>	<b>209,195</b>
<b>O. Net indebtedness (J) + (N)</b>	<b>164,945</b>	<b>170,294</b>
Non-current financial receivables	-	99
<b>Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the director's report on operations)</b>	<b>164,945</b>	<b>170,195</b>

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

- syndicated loan of € 160 thousand obtained from the Holding Company Sogefi S.p.A.: the ratio of consolidated net financial position to consolidated EBITDA has to be less or equal to 3.5; the ratio of EBITDA to net financial expenses must not be less than 4;
- loan of € 100 million obtained by the Holding Company Sogefi S.p.A.: the ratio of consolidated net financial position to consolidated EBITDA has to be less than 4;
- loan of € 50 million obtained by the Holding Company Sogefi S.p.A.: the ratio of consolidated net financial position to consolidated EBITDA has to be less than 3.5;
- loan of € 40 million obtained by the Holding Company Sogefi S.p.A.: the ratio of consolidated net financial position to consolidated EBITDA has to be less or equal to 3.5; the ratio of consolidated EBITDA to net financial expenses must not be less than 4.

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

At December 31, 2010 the Company was in full compliance with these covenants.

## D) NOTES ON THE MAIN INCOME STATEMENT ITEMS

### 23. SALES REVENUES

Revenues from the sale of goods and services

During the period the Sogefi Group had sales of € 924,713 thousand compared with € 780,987 thousand the previous year (+18.4%). On a like-for-like basis in terms of exchange rates (using the average exchange rates of the previous year, thus cancelling the positive impact of the British Pound and Brazilian Real) Group sales would total € 895,216 thousand (+14.6%).

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

By business sector:

(in thousands of Euro)	2010		2009	
	Amount	%	Amount	%
Filter	465,133	50.3	414,811	53.1
Suspension	461,632	49.9	368,043	47.1
Intercompany eliminations	(2,052)	(0.2)	(1,867)	(0.2)
<b>TOTAL</b>	<b>924,713</b>	<b>100.0</b>	<b>780,987</b>	<b>100.0</b>

By geographical area of “destination”:

(in thousands of Euro)	2010		2009	
	Amount	%	Amount	%
France	207,377	22.4	189,845	24.3
Germany	119,873	13.0	103,861	13.3
Great Britain	79,043	8.5	66,164	8.5
Italy	71,562	7.7	68,479	8.8
Benelux	47,445	5.1	38,813	4.9
Spain	36,473	3.9	39,062	5.0
Other European Countries	94,276	10.3	86,482	11.1
Mercosur	219,367	23.7	153,030	19.6
United States	18,616	2.0	14,951	1.9
China	12,639	1.4	6,838	0.9
India	9,685	1.0	6,015	0.8
Russia	3,306	0.4	3,413	0.4
Rest of the World	5,051	0.6	4,034	0.5
<b>TOTAL</b>	<b>924,713</b>	<b>100.0</b>	<b>780,987</b>	<b>100.0</b>

Sales showed a recovery in all the mature markets with the exception of Spain and Russia; in Europe total revenues rose from € 592,706 thousand to € 656,049 thousand (+10.7%), in South America they rose by 43.3% from € 153,030 thousand to € 219,367 thousand also thanks to positive exchange rates (net of which the increase would have been 28%) and in North America they rose by 24.5%.

## 24. VARIABLE COST OF SALES

Details are as follows:

<i>(in thousands of Euro)</i>	2010	2009
Materials	425,766	355,497
Direct labour cost	92,652	83,051
Energy costs	29,169	25,783
Sub-contracted work	20,217	12,234
Ancillary materials	16,599	12,956
Variable sales and distribution costs	35,512	31,834
Royalties paid to third parties on sales	4,191	3,872
Other variable costs	(1,143)	4,605
<b>TOTAL</b>	<b>622,963</b>	<b>529,832</b>

The increase in value of the “Variable cost of sales” reflects the rise in sales.

The percentage on sales of “Variable cost of sales” was substantially stable with respect to the previous year (67.4% in 2010, compared to 67.8% in the previous year).

The percentage of “Materials” rose from 45.5% to 46%: this increase was caused by an unfavourable product mix and geographical areas and by the price increases recorded in the latter part of the year.

The percentage of “Direct labour costs” fell from 10.6% to 10% due to lower expenses linked to the use of welfare support provisions, due to the wider use of temporary staff, whose cost is included in “Sub-contracted work” and due to an improvement in production efficiency following the increase in volumes.

The lower percentage on sales of “Variable sales and distribution costs” (from 4.1% to 3.8%) is due to lower accruals for product warranties relating to specific risks towards customers, partly offset by an increase in costs for a more accurate classification of sales expenses between fixed and variable costs.

“Other variable costs” item represents the effect generated by direct labour cost and fixed cost following the reduction (in 2009) or the increase (in 2010) of the inventory of finished goods or semi-finished products.

## 25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

<i>(in thousands of Euro)</i>	2010	2009
Labour cost	70,895	69,130
Materials, maintenance and repairs	19,807	16,757
Rental and hire charges	5,193	4,883
Personnel services	7,443	5,868
Technical consulting	2,786	1,935
Sub-contracted work	1,200	793
Insurance	1,728	1,762
Utilities	1,396	1,309
Capitalization of internal construction costs	(12,507)	(12,136)
Other	645	69
<b>TOTAL</b>	<b>98,586</b>	<b>90,370</b>

“Manufacturing and R&D overheads” show an increase of € 8,216 thousand (+9.1%) against the previous year, € 1,672 thousand of which is due to exchange rates.

The increase regarded almost all the items and specifically:

- “Labour cost” mainly due to Argentina’s inflation, the impact of exchange rates in Brazil and the lower use of welfare support provisions. The increase was partly offset by a significant fall in labour cost in the European subsidiaries of the Filter Division due to the restructuring occurred last year;
- “Materials, maintenance and repairs” as regards almost all production units, due to the return to normal operations and to higher production volumes;
- “Technical consulting” and “Personnel services” due to the higher use of them in the development of new products in Filtrauto S.A. subsidiary;
- “Sub-contracted work” due to the higher use of temporary staff mainly in the French subsidiary Allevard Rejna Autosuspensions S.A.;
- the item “Other” due to the outsourcing of the internal logistics service in the filters production plant of Sogefi Rejna S.p.A. subsidiary.

The total costs for Research and Development (not reported in the table) amount to € 20,224 thousand (2.2% of sales) compared to € 18,460 thousand (2.4% of sales) in the previous year.

## 26. DEPRECIATION AND AMORTISATION

Details are as follows:

<i>(in thousands of Euro)</i>	2010	2009
Depreciation of tangible fixed assets	34,673	33,651
of which: assets under finance leases	1,041	619
Amortization of intangible assets	10,251	8,499
<b>TOTAL</b>	<b>44,924</b>	<b>42,150</b>

“Depreciation and Amortization” item amounts to € 44,924 thousand, compared to € 42,150 thousand in the same period of the previous year. This increase is mainly due to the exchange rate effect (€ 1,089 thousand, particularly related to the appreciation of the Brazilian Real) and to the start of depreciation for the filter line in Allevard Sogefi USA Inc. subsidiary (€ 739 thousand).

Industrial depreciation included in the total depreciation of tangible fixed assets amounted to € 33,097 thousand against € 32,080 thousand in the same period of the previous year.

Amortisation of intangible assets refers principally to development costs capitalized in previous years. The increase recorded for this item relates, among other things, to the amortisation of the licenses for the new management system for the Suspension Division.

## 27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

<i>(in thousands of Euro)</i>	2010	2009
Labour cost	19,318	17,696
Sub-contracted work	3,400	5,296
Advertising, publicity and promotion	4,081	2,690
Personnel services	2,596	1,996
Rental and hire charges	1,738	2,055
Consulting	665	649
Other	569	677
<b>TOTAL</b>	<b>32,367</b>	<b>31,059</b>



“Distribution and sales fixed expenses” reflect the rise in sales volumes and the reorganisation of the Aftermarket Filter Division. They increased by € 1,308 thousand (+4.2%), of which € 1,021 thousand due to exchange rates.

The main changes are commented below:

- the increase in “Labour cost” and “Personnel services” is mainly due to the creation of centralised structures for the logistics and sales activities of the Aftermarket Filter Division in the French subsidiary Filtrauto S.A., to the exchange rate effect (€ 663 thousand) and to the lesser use of welfare support provisions;
- the fall in “Sub-contracted work” is due to a more accurate classification of expenses relating to warehouse management between variable and fixed costs, as mentioned above;
- the increase in “Advertising, publicity and promotion” is due to a better classification and to higher investments in the French and Brazilian subsidiaries of the Filter Division to re-launch brand names.

## 28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2010	2009
Labour cost	27,764	25,864
Personnel services	3,486	2,983
Maintenance and repairs	3,501	3,214
Cleaning and security	3,490	2,822
Consulting	5,101	4,126
Utilities	2,810	2,789
Rental and hire charges	3,455	3,150
Insurance	2,131	2,744
Participation des salaries	79	775
Administrative, financial and tax-related services provided by Parent Company	1,860	1,850
Audit fees	1,157	1,256
Directors' and statutory auditors' remuneration	1,653	1,085
Sub-contracted work	665	418
Other	1,194	815
<b>TOTAL</b>	<b>58,346</b>	<b>53,891</b>

“Administrative and general expenses” item shows an increase of € 4,455 thousand (+8.3%), of which € 1,127 thousand due to the exchange rate effect.

The increase in “Labour cost” is mainly due to the higher cost for the variable part of employees’ wages linked to the achievement of performance targets, to the creation of centralised structures for Communications and IT and to the fact that the welfare support provisions plenty used last year were not used at all.

The increase in “Personnel Services” mainly relates to higher travelling expenses of the Holding Company Sogefi S.p.A. and the subsidiary Filtrauto S.A..

The items “Maintenance and repairs”, “Cleaning and security” and “Sub-contracted work” recorded higher amounts in line with the higher levels of business.

The increase in “Consulting” relates to the Holding Company Sogefi S.p.A. for consulting in administration, insurance and in logistics for the aftermarket segment, as well as to the hiring of a project worker.

The fall in the item “Insurance” is due to better economic terms obtained for existing insurance cover.

The fall in “Participation des salaries” (profit-sharing scheme for employees of French subsidiaries) is due to the fall in result recorded in the year.

The increase in “Directors’ and statutory auditors’ remuneration” regards the higher remuneration, partly fixed and partly variable, resolved by the Board of Directors for the Managing Director given the extension of his powers and functions.

The increase in “Other” is mainly due to the lower benefit resulting from a reduction in pension funds of the French subsidiaries following the decrease in personnel linked to the restructuring plans implemented, as well as the lower actuarial profits in Sogefi Filtration Ltd subsidiary.

“Directors’ and statutory auditors’ remuneration” includes € 1,329 thousand and € 98 thousand respectively for the directors’ and the statutory auditors’ remuneration of the Holding Company.

## 29. PERSONNEL COSTS

### Personnel

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

<i>(in thousands of Euro)</i>	2010	2009
Wages, salaries and contributions	207,312	192,418
Pension costs: defined benefit plans	1,103	807
Pension costs: defined contribution plans	1,260	1,256
Participation des salaries	79	775
Imputed cost of stock option plans	540	533
Other costs	190	192
<b>TOTAL</b>	<b>210,484</b>	<b>195,981</b>

“Personnel costs” have risen with respect to the previous year by € 14,503 thousand (+7.4%), of which € 4,390 was due to the effect of exchange rates. This increase is in line with the increase in production activities and is also due to the fact that the welfare support provisions plenty used last year were not used at all.

Despite this increase in absolute values, “Personnel costs” as a percentage of sales fell to 22.8% from 25.1% recorded in the previous year.

The decrease of “Participation des salaries” was commented upon above.

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

“Participation des salaries” is included in “Administrative and general expenses”.

“Other costs” is included in “Administrative and general expenses”.

The “Imputed cost of the stock option plans” is included in “Other non-operating expenses (income)”.

The following paragraph “Personnel benefits” provides details of the stock option plans.

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

<i>(Number of employees)</i>	2010	2009
Managers	86	87
Clerical staff	1,319	1,367
Blue collar workers	4,265	4,433
<b>TOTAL</b>	<b>5,670</b>	<b>5,887</b>

## Personnel benefits

### Stock option plans

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

*The plans provide participants with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. Under the plan an essential condition for exercising the option is that the person still maintains an employment or administrative relationship with the Company or one of its subsidiaries at the exercise date, except in the case of retirement, permanent invalidity or death.*

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

*In 2010, the Board of Directors approved on the following stock option plans:*

- *2010 stock option plan restricted to the Managing Director and to managers of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.10% of the share capital as of December 31, 2010) with a subscription price of € 2.3012, to be exercised between September 30, 2010 and September 30, 2020.*

*With the exception of the plan above and the content of the paragraph below regarding “Phantom stock option plans”, the Company has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.*

*As laid down in IFRS 2, only plans allocated after November 7, 2002 must be considered (note that the Company does not have any plan prior to said date) and therefore, in addition to those issued in 2010, the plans issued in 2004, 2005, 2006, 2007, 2008 and 2009 must be considered. The main details of these plans are shown below:*

- *2004 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,880,000 ordinary shares (1.61% of share capital as of December 31, 2010) at a price of € 2.64 per share, with a right to exercise them at the end of each four-month period starting on September 30, 2004 and ending on September 30, 2014;*
- *2005 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.66% of the share capital as of December 31, 2010) with a subscription price of € 3.87, to be exercised between September 30, 2005 and September 30, 2015;*
- *2006 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.52% of the share capital as of December 31, 2010) with a subscription price of € 5.87, to be exercised between September 30, 2006 and September 30, 2016;*
- *2007 stock option plan restricted to employees of foreign subsidiaries for a maximum of 715,000 shares (0.61% of the share capital as of December 31, 2010) with an initial subscription price of € 6.96, to be exercised between September 30, 2007 and September 30, 2017. On April 22, 2008, the Board of Directors, on the basis of the powers awarded by the Shareholders' Meeting, adjusted the exercise price from € 6.96 to € 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders' Meeting on the same date;*
- *2008 stock option plan restricted to employees of foreign subsidiaries for a maximum of 875,000 shares (0.75% of the share capital as of December 31, 2010) with a subscription price of € 2.1045, to be exercised between September 30, 2008 and September 30, 2018;*
- *2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (2.01% of the share capital as of December 31, 2010) with a subscription price of € 1.0371, to be exercised between September 30, 2009 and September 30, 2019;*
- *2009 extraordinary stock option plan restricted to beneficiaries of 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, after having waived their rights under the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (0.87% share capital as of December 31, 2010) of which 475,000 (first Tranche options) with a subscription price of € 5.9054, to be exercised between June 30, 2009 and September 30, 2017 and 540,000 (second Tranche options) with a subscription price of € 2.1045, to be exercised between June 30, 2009 and September 30, 2018.*

The fair value of the options allocated during the course of 2010 was calculated, at the time of allocation, using the Black-Scholes method, and totals € 742 thousand.

The imputed cost for 2010 for existing plans is € 540 thousand, booked to the income statement under “Other non-operating expenses (income)”.

The following table shows the total number of existing options with reference to the 2004-2010 plans and their average strike price:

	2010		2009	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	6,509,400	3.18	3,947,600	4.55
Granted during the year	2,440,000	2.30	3,350,000	1.90
Cancelled during the year	(419,000)	3.23	(788,200)	4.58
Exercised during the year	(286,000)	1.04	-	-
Not exercised/not exercisable at the end of the year	8,244,400	2.99	6,509,400	3.18
Exercisable at the end of the year	3,964,900	4.12	2,884,300	4.48

The line “Not exercised/not exercisable at the end of the year” refers to the total number of options, net of those exercised or cancelled during the current and previous years.

The line “Exercisable at the end of the year” refers to the total amount of options matured at the end of the year and not yet subscribed.

Details of the number of options exercisable at December 31, 2010 are given below:

	Total
Number of exercisable options remaining at December 31, 2009	2,884,300
Options matured during the year	1,734,800
Options cancelled during the year	(368,200)
Options exercised during the year	(286,000)
Number of exercisable options remaining at December 31, 2010	3,964,900

### Phantom stock option plans

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

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

The main characteristics of existing plans are as follows:

- 2007 phantom stock option plan restricted to the Managing Director, managers and project workers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,760,000 options at the initial grant price of € 7.0854, adjusted in 2008 to € 5.9054, to be exercised between September 30, 2007 and September 30, 2017. Following subscription to the 2009 extraordinary stock option plan, 475,000 options were waived;
- 2008 phantom stock option plan restricted to the Managing Director and managers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,700,000 options at the grant price of € 2.1045 to be exercised between September 30, 2008 and September 30, 2018. Following subscription to the 2009 extraordinary stock option plan, 540,000 options were waived.

Details of the number of phantom stock options as of December 31, 2010 are given below:

	2010
Not exercised/not exercisable at the start of the year	1,830,000
Granted during the year	-
Cancelled during the year	-
Exercised during the year	-
Not exercised/not exercisable at the end of the year	1,830,000
Exercisable at the end of the year	1,409,400

The fair value as of December 31, 2010 of the options awarded was calculated using the Black-Scholes method and amounts to € 226 thousand. The change compared to the previous year, corresponding to € 7 thousand as lower expense, was booked to the income statement on the line "Directors' and statutory auditors' remuneration".

### 30. RESTRUCTURING COSTS

These amount to € 12,022 thousand (compared with € 17,162 thousand the previous year) and relate to restructuring plans already underway in both divisions.

"Restructuring costs" are made up of the accruals to the "Provision for restructuring" (€ 7,029 thousand, net of the unused portions provided in previous years) and for the remaining part costs incurred and paid during the year.

### 31. LOSSES (GAINS) ON DISPOSAL

Gains from disposals amounted to € 509 thousand, of which € 400 thousand resulting from the sale of the industrial property of Oyartzun (Spain).

### 32. EXCHANGE (GAINS) LOSSES

Exchange losses as of December 31, 2010 amounted to € 220 thousand (€ 781 thousand as of December 31, 2009).

### 33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to € 14,021 thousand compared with € 9,445 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2010	2009
Indirect taxes	6,249	5,319
Other fiscal charges	2,702	3,864
Imputed cost of stock options	540	533
Other non-operating expenses (income)	4,530	(271)
TOTAL	14,021	9,445

"Indirect taxes" include tax charges such as property tax, non-deductible VAT and taxes on professional training. "Other fiscal charges" consist of the cotisation économique territoriale (previously called taxe professionnelle) relating to the French companies, which is calculated on the value of tangible fixed assets and on added value; the decrease is due to the change in the values and calculations mentioned above.



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

of which non-recurring:

- writedowns of fixed assets of € 187 thousand mainly relating to the subsidiaries Sogefi Filtration B.V. and United Springs S.A.S. for the restructuring processes underway;

of which recurring:

- actuarial losses of € 1,320 thousand mainly relating to the subsidiary Sogefi Filtration Ltd due to the achievement of threshold in assets measurement of employees’ benefits that may be recorded in the financial statements;
- writedowns of fixed assets and inventories of € 1,255 thousand and mainly refer to the subsidiary Filtrauto S.A. following the interruption of a project linked to the development of a new product;
- provisions for legal disputes with employees and third parties mainly in the subsidiaries Sogefi Filtration do Brasil Ltda and Allevard Rejna Autosuspensions S.A. for a total of € 903 thousand;
- provisions for environmental activities in the subsidiary Allevard Rejna Autosuspensions S.A. of € 225 thousand;
- pension costs for employees no longer on the books of Allevard Federn GmbH of € 188 thousand;
- € 452 thousand in other recurring costs.

#### 34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

<i>(in thousands of Euro)</i>	2010	2009
Interest on amounts due to banks	5,027	6,837
Financial charges under lease contracts	476	529
Financial component of pension funds and termination indemnities	43	582
Loss on interest-bearing hedging instruments	2,446	1,759
Other interest and commissions	3,007	2,276
<b>TOTAL FINANCIAL EXPENSES</b>	<b>10,999</b>	<b>11,983</b>

Financial income is detailed as follows:

<i>(in thousands of Euro)</i>	2010	2009
Gain on interest-bearing hedging instruments	28	26
Interest on amounts due from banks	1,241	1,027
Other interest and commissions	176	147
<b>TOTAL FINANCIAL INCOME</b>	<b>1,445</b>	<b>1,200</b>
<b>TOTAL FINANCIAL EXPENSES (INCOME), NET</b>	<b>9,554</b>	<b>10,783</b>

Financial expenses, net show a decrease of € 1,229 thousand due to the improvement of the net financial position and to the fall in the spreads applied to the loans of the Holding Company Sogefi S.p.A..

#### 35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

Gains from equity investments amount to € 200 thousand (€ 75 thousand last year).

This item mainly includes the dividends received during the year from the associate Allevard Resorts Composites S.A.S. (€ 50 thousand) and the gain resulting from the liquidation of the same (€ 147 thousand).



## 36. INCOME TAXES

<i>(in thousands of Euro)</i>	2010	2009
Current taxes	13,665	6,450
Deferred tax liabilities (assets)	(2,312)	(5,750)
Income (expenses) from Group tax filing system	217	-
<b>TOTAL</b>	<b>11,570</b>	<b>700</b>

The year 2010 recorded a positive tax rate of 35.7% compared to a negative tax rate of 12.4% in the previous year.

The line "Income (expenses) from Group tax filing system" includes the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2010 and 2009 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard tax rate are included in the line "Other permanent differences and tax rate differentials".

<i>(in thousands of Euro)</i>	2010		2009	
		Tax rate %		Tax rate %
Result before taxes	32,419	27.5%	(5,633)	27.5%
Theoretical income taxes	8,915		(1,549)	
Effect of increases (decreases) with respect to the standard rate:				
Statutory amortization of goodwill	(257)	-0.8%	(125)	2.2%
Non-deductible costs, net	346	1.1%	300	-5.3%
Deferred tax assets on losses for the year not recognised in the financial statements	576	1.8%	1,643	-29.1%
Taxed portion of dividends	819	2.5%	1,075	-19.1%
Other permanent differences and tax rate differentials	1,171	3.6%	(644)	11.4%
Income taxes in the consolidated income statement	11,570	35.7%	700	-12.4%

"Deferred tax assets on losses for the year not recognised in the financial statements" are mainly attributable to the subsidiary S.ARA Composites S.A.S. and to American and Chinese subsidiaries for which there was no probability at the end of the year that such losses would be recovered.

The "Taxed portion of dividends" refers to the portion of dividends received from Group companies that is not tax-exempt.

## 37. DIVIDENDS PAID

In 2010 no dividends were paid.

The Company did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

## 38. EARNINGS PER SHARE (EPS)

### Basic EPS

	2010	2009
<i>Net result attributable to the ordinary shareholders (in thousands of Euro)</i>	18,821	(7,639)
<i>Weighted average number of shares outstanding during the year (thousands)</i>	114,349	114,193
Basic EPS (Euro)	0.165	(0.067)

### Diluted EPS

*The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the stock options granted to Group employees.*

	2010	2009
<i>Net result attributable to the ordinary shareholders (in thousands of Euro)</i>	18,821	(7,639)
<i>Average number of shares outstanding during the year (thousands)</i>	114,349	114,193
<i>Weighted average number of shares potentially under option during the year (thousands)</i>	3,440	2,444
<i>Number of shares that could have been issued at fair value (thousands)</i>	(3,440)	(2,444)
<i>Adjusted weighted average number of shares outstanding during the year (thousands)</i>	114,349	114,193
Diluted EPS (Euro)	0.165	(0.067)

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

*The “Number of shares that could have been issued at fair value” represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average annual fair value of the Sogefi S.p.A. ordinary shares, which in 2010 amounted to € 2.1410, whereas in 2009 it was € 1.2986.*

*In 2010, the average fair value of Sogefi shares was lower than the average exercise price of the shares potentially under option. As a result, the “Number of shares that could have been issued at fair value” corresponds to the “Weighted average number of shares potentially under option during the year” and Diluted EPS is equal to Basic EPS.*

## E) 39. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### Financial instruments

The following table shows a comparison between the book value of the Group's financial instruments and their fair value.

Analyzing the table shows that the fair value is different from the book value only in the case of short-term and long-term financial payables. This difference, corresponding to € 619 thousand, is generated by the fixed-rate loans outstanding at the end of the reporting period, for which the value has been recalculated at current market rates.

(in thousands of Euro)	Book value		Fair value	
	12.31.2010	12.31.2009	12.31.2010	12.31.2009
<b>Financial assets</b>				
Cash and cash equivalents	66,760	111,583	66,760	111,583
Securities held for trading	18	21	18	21
Assets for derivative financial instruments	182	25	182	25
Current financial receivables	-	-	-	-
Trade receivables	138,815	126,549	138,815	126,549
Other receivables	10,232	5,545	10,232	5,545
Other assets	2,485	3,055	2,485	3,055
Other financial assets available for sale	440	472	440	472
Non-current financial receivables	-	68	-	68
Other non-current receivables	10,146	9,029	10,146	9,029
<b>Financial liabilities</b>				
Short-term financial debts	78,731	71,705	78,980	71,978
Other short-term liabilities for derivative financial instruments	164	1,023	164	1,023
Trade and other payables	210,019	199,818	210,019	199,818
Other current liabilities	2,121	1,971	2,121	1,971
Medium/long-term financial debts	150,968	207,071	150,100	207,406
Other medium/long-term liabilities for derivative financial instruments	2,042	2,124	2,042	2,124

### Financial risk management

Given that the Group operates on world markets, its activity is exposed to various kinds of financial risks, including fluctuations, up or down, of interest and exchange rates, and cash flow risks (for cash flows generated outside of the Eurozone). In order to minimize these risks, the Group uses derivatives as part of its risk management activities, whereas it does not use or hold derivatives or similar instruments purely for trading purposes.

The Group also has available a whole series of financial instruments other than derivatives, such as bank loans, bonds, finance leases, rentals, sight deposits, payables and receivables deriving from normal operating activities. The Group handles its main hedging operations centrally. Precise instructions have also been issued, laying down guidelines on risk management, while procedures have been introduced to control all transactions in derivatives.

## Interest risk

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

These debts may be fixed or floating rate.

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

Floating rate debts, which represent 90% of Group loans, expose the Group to a risk arising from interest rate volatility ("cash flow" risk).

With regard to this risk, for the purposes of the related hedging, the Group may use derivative contracts which limit the impacts on the income statement of changes in the interest rate. At present, hedging transactions cover around 48% of the Group's floating-rate debts. After such transactions, floating-rate loans represent around 47% of the Group's total loans.

The following table gives a breakdown, by maturity, of the book value of the Group's financial instruments, receivable and payable, which are exposed to interest rate risk as of December 31, 2010, split according to whether they are contractually at a fixed or floating rate (for further details see the table shown in the analysis of "Liquidity risk"):

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
TOTAL FIXED RATE	(2,798)	(1,236)	(9,211)	(1,163)	(872)	(3,545)	(18,825)
TOTAL FLOATING RATE	(9,137)	(36,143)	(100,496)	(344)	-	-	(146,120)

Below there is a sensitivity analysis which shows the impact on the income statement, net of tax, and on equity of a change in interest rates that is considered reasonably possible.

An increase or decrease in interest rates of 100 basis points, applied to floating-rate financial assets and liabilities in existence as of December 31, 2010, including interest-rate hedges, would have the following effects:

(in thousands of Euro)	12.31.2010		12.31.2009	
Sensitivity Analysis	Net profit	Equity	Net profit	Equity
+ 100 basis points	(429)	(417)	(495)	325
- 100 basis points	429	417	495	(325)

The effect on equity differs from the effect on the income statement by € 12 thousand, which reflects the change in fair value of the instruments hedging the interest rate risk.

## Foreign currency risk

As it operates at an international level, the Group is exposed to the risk that changes in exchange rates could have an impact on the fair value of some of its assets or liabilities.

Moreover, as can be seen from the segment information given in note 4, the Group produces and sells mainly in Countries of the Eurozone, but it is exposed to currency risk above all in respect of the British Pound, Brazilian Real, US Dollar, Argentine Peso and Chinese Renminbi.

Generally speaking, the Group is not particularly exposed to exchange risk, which is mainly related to the translation of foreign subsidiaries' financial statements, as the currencies in which the foreign operating companies bill and those in which they are invoiced tend to be much the same.

As regards borrowings, there are also policies stating that any funds raised from third parties have to be in the same currency as the functional currency of the company obtaining the loan. If any exception is made to this principle, then systematic hedging of the risk is used through forward currency purchases.

A sensitivity analysis is provided below, which shows the impact on the income statement, especially on "Exchange (gains) losses", net of tax, and on equity of a change in exchange rates that is considered reasonably possible. Note that the exchange effect of translating the financial statements of foreign subsidiaries into Euro has not been taken into consideration here.

What has been taken into consideration are the financial assets and liabilities outstanding as of December 31, 2010 denominated in a currency other than the functional currency of the individual subsidiaries. This analysis also takes into account any changes in the fair value of the financial instruments used to hedge exchange risk.

As of December 31, 2010 exchange risk was concentrated mainly in transactions with the Euro.

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

(in thousands of Euro)	12.31.2010		12.31.2009	
	Net profit	Equity	Net profit	Equity
Sensitivity Analysis				
+ 5%	(383)	(383)	(93)	(93)
- 5%	422	422	101	101

These effects are mainly due to the following exchange rates:

- EUR/GBP mainly due to the net debt exposure for the commercial payables in Euro of the subsidiary Sogefi Filtration Ltd, net of the change in the fair value of the relative hedge;
- EUR/CNY mainly due to the net debt exposure for the commercial payables in Euro of Chinese subsidiaries.

## Price risk

The Group is partially exposed to price risk as it makes purchases of various raw materials such as steel, plastics, aluminium, cellulose products.

The risk is handled in the best way possible thanks to centralized purchasing and a policy of having various suppliers for each kind of raw material operating in different parts of the world.

We would also point out that price risk is generally mitigated by the Group's ability to pass on part of the increase in raw material costs to selling prices.

The price risk on Group investments classified as "Securities held for trading" and "Other financial assets available for sale" is not significant.

## Credit risk

This is the risk that one of the parties signing a contract of a financial nature defaults on an obligation, thereby provoking a financial loss. This risk can derive from strictly commercial aspects (granting and concentration of credits), as well as from purely financial aspects (choice of counterparties used in financial transactions).

From a commercial point of view, the Group does not have excessive concentrations of credit risk as it operates on distribution channels, both Original Equipment and the Aftermarket, that make it possible not to depend too much on individual customers. For example, Original Equipment sales are largely to car and industrial vehicle manufacturers.

As regards the Aftermarket, on the other hand, the Group's main customers are important international purchasing groups.

In order to minimize credit risk, however, procedures have in any case been implemented to limit the impact of any customer insolvencies.

As regards counterparties for the management of financial resources, the Group only has recourse to partners that have a safe profile and a high international standing.

The Group's maximum exposure to credit risk as of December 31, 2010 is represented by the book value of the financial assets shown in the financial statements (€ 229,078 thousand), as well as by the nominal value of the guarantees given in favour of third parties, as mentioned in note 43 (€ 10,735 thousand).

The exposure to credit risk is essentially linked to trade receivables which as of December 31, 2010 amount to € 141,430 thousand (€ 127,935 thousand as of December 31, 2009), written down by € 5,852 thousand (€ 5,752 thousand as of December 31, 2009).

Receivables are backed by insurance guarantees for € 4,329 thousand (€ 3,397 thousand as of December 31, 2009). The Group does not have any other guarantees covering trade receivables.

The following table shows the changes in the allowance for doubtful accounts:

<i>(in thousands of Euro)</i>	12.31.2010	12.31.2009
Opening balance	5,752	5,871
Accruals for the period	1,373	785
Utilizations	(1,106)	(747)
Provisions not used during the period	(245)	(264)
Exchange differences	78	107
TOTAL	5,852	5,752



The following is an ageing analysis of gross receivables and the related allowance for doubtful accounts to help evaluate credit risk:

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

(in thousands of Euro)	12.31.2010		
	Gross value	Allowance for doubtful accounts	Net value
Receivables past due:			
0-30 days	9,869	(9)	9,860
30-60 days	2,198	(40)	2,158
60-90 days	910	(65)	845
over 90 days	10,308	(5,738)	4,570
Total receivables past due	23,285	(5,852)	17,433
Total receivables still to fall due	118,145	-	118,145
TOTAL	141,430	(5,852)	135,578

As of December 31, 2010 gross receivables past due were € 2,279 thousand higher than at the end of the previous year. This increase is concentrated in the “0-30 days” bracket (+ € 2,851 thousand) and mainly regards Filter Division companies.

The impact of gross receivables past due on total receivables is 16.5% and is substantially unchanged compared to the previous year.

Past due receivables have been written down by 25.1% of the total (27.1% at December 31, 2009) and 55.7% (47.4% at December 2009) considering only the “over 90 days” bracket. Writedowns refer mainly to disputed amounts or receivables that have been due for a significant period of time and can no longer be collected.

The impact of net receivables past due on total net receivables is 12.9% and is substantially unchanged compared to the previous year.

The item “Total receivables still to fall due” does not contain significant positions that have been renegotiated.

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

## Liquidity risk

The Group is subject to a minimum amount of liquidity risk, namely having to handle a situation where it is not able to raise sufficient funds to meet its liabilities.

The Group has always taken an extremely prudent approach to its financial structure, using mainly medium/long-term funding, whereas forms of short-term financing are generally used only to cope with moments of peak requirement.

The fact that it has a significant level of cash flow, together with its solid capital structure, makes it relatively easy for the Group to find additional sources of financing.

It should also be mentioned that the Group has implemented a cash pooling system for all of the main European subsidiaries, which makes it possible to optimize liquidity and cash flow management at a supranational level.

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

(in thousands of Euro)	within 12 months	between 1 and 2 years	between 2 and 3 years	between 3 and 4 years	between 4 and 5 years	beyond 5 years	Total
<b>Fixed rate</b>							
Finance lease Sogefi Filtration Ltd	(105)	(121)	(137)	(156)	(177)	(1,974)	(2,670)
Finance lease Allevarid Sogefi U.S.A. Inc.	(315)	(326)	(337)	(348)	(360)	(1,367)	(3,053)
Bank loan Sogefi Filtration do Brasil Ltda	-	-	(7,965)	-	-	-	(7,965)
Government financing	(689)	(672)	(655)	(542)	(302)	(204)	(3,064)
Other fixed rate loans	(1,689)	(117)	(117)	(117)	(33)	-	(2,073)
Future interest	(836)	(776)	(582)	(344)	(295)	(1,000)	(3,833)
<b>TOTAL FIXED RATE</b>	<b>(3,634)</b>	<b>(2,012)</b>	<b>(9,793)</b>	<b>(1,507)</b>	<b>(1,167)</b>	<b>(4,545)</b>	<b>(22,658)</b>
<b>Floating rate</b>							
Cash and cash equivalents	66,760	-	-	-	-	-	66,760
Financial assets	18	-	-	-	-	-	18
Assets for derivative financial instruments	182	-	-	-	-	-	182
Current financial receivables	-	-	-	-	-	-	-
Non current financial receivables	-	-	-	-	-	-	-
Bank overdrafts and other short-term loans	(35,958)	-	-	-	-	-	(35,958)
Sogefi S.p.A. loans	(33,311)	(33,311)	(99,740)	-	-	-	(166,362)
Bank loans	(4,008)	(6)	-	-	-	-	(4,014)
Finance lease Allevarid Rejna Autosuspensions S.A.	(1,446)	(1,212)	(328)	(344)	-	-	(3,330)
Other floating rate loans	(1,210)	-	-	-	-	-	(1,210)
Liabilities for derivative financial instruments	(164)	(1,614)	(428)	-	-	-	(2,206)
Future interest	(2,636)	(1,900)	(694)	(3)	-	-	(5,233)
<b>TOTAL FLOATING RATE</b>	<b>(11,773)</b>	<b>(38,043)</b>	<b>(101,190)</b>	<b>(347)</b>	<b>-</b>	<b>-</b>	<b>(151,353)</b>
Trade receivables	138,815	-	-	-	-	-	138,815
Trade and other payables	(210,019)	-	-	-	-	-	(210,019)

## Hedging

### a) exchange risk

The Sogefi Group has the following contracts to hedge the exchange risk on financial or trade balances. Note that even though the Group considers these instruments as exchange risk hedges from a financial point of view, it has chosen not to adopt hedge accounting, as this treatment is not considered suitable for the Group's operating requirements. It therefore measures such contracts at fair value, posting the differences to the income statement.

As of December 31, 2010, the Holding Company Sogefi S.p.A. held the following forward sale contract to hedge exchange risk on intercompany financial positions:

Forward sale	Date opened	Spot price €/currency	Date closed	Forward price €/currency
USD 7,230,000	12/23/2010	1.31550	02/23/2011	1.31535

As of December 31, 2010 the fair value of these contracts amounted to € 86 thousand and was shown under “Other financial assets – Assets for derivative financial instruments”. Fair value was calculated using the forward curve of exchange rates as of December 31, 2010.

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

Forward purchase	Date opened	Spot price GBP/currency	Date closed	Forward price GBP/currency
EUR 2,500,000	12/23/2010	0.85030	02/23/2011	0.85068

As of December 31, 2010 the fair value of this contract amounted to € 30 thousand and was booked to “Other financial assets – Assets for derivative financial instruments”. Fair value was calculated using the forward curve of exchange rates as of December 31, 2010.

The subsidiary Sogefi Filtration do Brasil Ltda holds the following contracts to hedge the exchange risks on trade positions:

Forward purchase	Date opened	Spot price BRL/currency	Date closed	Forward price BRL/currency
EUR 750,000	12/14/2010	2.2810	01/21/2011	2.3065
EUR 750,000	12/14/2010	2.2810	02/21/2011	2.3288
EUR 750,000	12/14/2010	2.2810	03/21/2011	2.3510

As of December 31, 2010 the fair value of these contracts amounted to € 66 thousand and was shown under “Other financial assets – Assets for derivative financial instruments”. Fair value was calculated using the forward curve of exchange rates as of December 31, 2010.

The subsidiaries Sogefi Filtration Argentina S.A. and Allevard Rejna Argentina S.A. have the following forward purchase contracts to hedge exchange risk on trade positions:

Forward purchase	Date opened	Spot price ARP/currency	Date closed	Forward price ARP/currency
USD 70,000	09/29/2010	3.9800	03/21/2011	4.1700
USD 50,000	11/04/2010	3.9560	01/20/2011	4.0725
USD 50,000	11/04/2010	3.9560	02/21/2011	4.1120
USD 50,000	11/04/2010	3.9560	03/21/2011	4.1525
USD 500,000	12/14/2010	3.9740	01/24/2011	4.0300
USD 400,000	12/14/2010	3.9740	02/23/2011	4.0650
USD 700,000	12/14/2010	3.9740	03/23/2011	4.1000

As of December 31, 2010 the fair value of these contracts was negative for € 10 thousand and was booked to “Other short-term liabilities for derivative financial instruments”. Fair value was calculated using the forward curve of exchange rates as of December 31, 2010.

b) interest risk

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

Description of IRS	Date opened	Contract maturity	Notional	Fixed rate	Fair value
Hedging of Sogefi S.p.A. loan for € 50 million (09/08/2006 maturity 09/08/2013), rate: Euribor 3 months + 60 bps	04/24/2008	09/30/2012	10,000	4.193%	(507)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	11/18/2009	04/30/2013	5,000	2.210%	(95)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	11/27/2009	04/30/2013	5,000	2.150%	(88)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	11/18/2009	05/05/2013	5,000	2.230%	(73)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	11/27/2009	05/05/2013	5,000	2.170%	(66)
Hedging of Sogefi S.p.A. loan for € 50 million (09/08/2006 maturity 09/08/2013), rate: Euribor 3 months + 60 bps	12/03/2010	06/30/2013	5,000	1.575%	(5)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	12/20/2010	05/04/2013	5,000	1.733%	(3)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	12/20/2010	05/04/2013	5,000	1.733%	(26)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	12/21/2010	05/04/2013	5,000	1.7075%	(23)
Hedging of Sogefi S.p.A. loan for € 160 million (06/04/2008 maturity 06/04/2013), rate: Euribor 3 months + 50 bps	12/22/2010	05/06/2013	10,000	1.685%	(49)
Description of IRC	Date opened	Contract maturity	Notional	Cap/Floor	Fair value
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	04/24/2008	10/31/2012	10,000	Cap: 4.50% Floor: 3.84%	(518)
Description of K.IN FORWARD ZERO COST	Date opened	Contract maturity	Notional	Cap/Floor	Fair value
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	04/24/2008	10/31/2012	10,000	Cap: 4.50% Floor: 4.20% Knock in European: 3.33%	(589)
Hedging of Sogefi S.p.A. loan for € 100 million (09/29/2006 maturity 09/29/2013), rate: Euribor 3 months + 70 bps	05/09/2008	10/31/2011	5,000	Cap: 4.40% Floor: 4.10% Knock in European: 3.10%	(154)

With the exception of the IRS, which envisages payment by the Group of an agreed fixed rate and receipt from the counterparty of the floating rate that is the basis of the underlying loan, the remaining financial instruments envisage the Group paying an interest rate that may fluctuate within a defined range (“Cap-Floor” for the IRC and “Cap-Knock in” for the K.IN FORWARD ZERO COST). As regards K.IN FORWARD ZERO COST, if the 3-month Euribor falls below the “Knock in”, the Group pays the “Floor” rate.

The aim of these contracts is to limit the risk of changes in interest rates. They have been treated as hedging instruments and the related fair value is booked to equity.

Reference should be made to the paragraph on “Interest risk” for further information on the level of hedging of interest risk.

## **Equity management**

*The main objectives pursued by the Group through its equity risk management are the creation of value for shareholders and the safeguarding of business continuity. The Group also sets itself the objective of maintaining an optimal equity structure so as to reduce the cost of indebtedness and meet the covenants established by the loan agreements.*

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

*Total equity is analysed in note 21.*

*As of December 2010, 31 gearing stands at 0.77 (0.93 as of December 31, 2009).*

*The improvement in the gearing ratio compared to the previous year is due to the reinforcement of the Group’s equity structure and to the reduction of the net financial position.*

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

*In compliance with the requirements of IFRS 7, the table below provides the information on the categories of financial assets and liabilities held by the Group as of December 31, 2010.*

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

- level 1 : if the financial instrument is quoted in an active market;*
- level 2: if the fair value is determined using valuation techniques and the inputs used for the valuation (other than quoted prices of financial instruments) are observable in the market;*
- level 3: if the fair value is determined using valuation techniques and the inputs used for the valuation are non-observable in the market.*

*The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2010.*

(in thousands of Euro)	Note	Book value 2010	Receivables and financial assets	Financial assets available for sale	Financial liabilities	Fair Value	
						Amount	Fair value hierarchies
<b>Current assets</b>							
Cash and cash equivalents	5	66,760	66,760				
Securities held for trading	6	18				18	1
Assets for derivative financial instruments	6	182				182	2
Trade receivables	8	138,815	138,815				
Other receivables	8	10,232	10,232				
Other assets	8	2,485	2,485				
<b>Non-current assets</b>							
Other financial assets available for sale	12	440		440*			
Other non-current receivables	13	10,146	10,146				
<b>Current liabilities</b>							
Short-term financial debts	16	78,731			78,731		
Other short-term liabilities for derivative financial instruments	16	164				164**	2
Trade and other payables	17	210,019			210,019		
Other current liabilities	18	2,121			2,121		
<b>Non-current liabilities</b>							
Medium/long-term financial debts	16	150,968			150,968		
Other medium/long-term liabilities for derivative financial instruments	16	2,042				2,042**	2

\* of which € 435 relating to a financial asset valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not available

\*\* of which € 2,196 thousand relating to hedge instruments accounted according to the cash flow hedge method

The following table therefore shows the fair value level of financial assets and liabilities measured at fair value, as of December 31, 2009.

(in thousands of Euro)	Note	Book value 2009	Receivables and financial assets	Financial assets available for sale	Financial liabilities	Fair Value	
						Amount	Fair value hierarchies
<b>Current assets</b>							
Cash and cash equivalents	5	111,583	111,583				
Securities held for trading	6	21				21	1
Assets for derivative financial instruments	6	25				25	2
Trade receivables	8	126,549	126,549				
Other receivables	8	5,545	5,545				
Other assets	8	3,055	3,055				
<b>Non-current assets</b>							
Other financial assets available for sale	12	472		472*			
Non-current financial receivables	13	68	8			60	2
Other non-current receivables	13	9,029	9,029				
<b>Current liabilities</b>							
Short-term financial debts	16	71,705			71,705		
Other short-term liabilities for derivative financial instruments	16	1,023				1,023**	2
Trade and other payables	17	199,818			199,818		
Other current liabilities	18	1,971			1,971		
<b>Non-current liabilities</b>							
Medium/long-term financial debts	16	207,071			207,071		
Other medium/long-term liabilities for derivative financial instruments	16	2,124				2,124**	2

\* of which € 435 relating to a financial asset valued at cost, as permitted by IAS 39, insofar as a reliable fair value is not available

\*\* of which € 3,124 thousand relating to hedge instruments accounted according to the cash flow hedge method



## F) 40. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Group is controlled by the Parent Company CIR S.p.A., which as of December 31, 2010 held 56.46% of outstanding shares. Sogefi S.p.A.'s shares are listed on the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A..

The Group's consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.

Dealings between Group companies are conducted at arm's length, taking into account the quality and nature of services rendered; the Holding Company Sogefi S.p.A. charges Group companies fees for administrative, financial and management support services. The Holding Company also debits and credits interest at a market spread to those subsidiaries that have signed up for the Group's centralized treasury function.

The subsidiary Sogefi Purchasing S.a.S. charges Group companies for purchase management support services.

As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., the ultimate Parent Company, in areas such as strategic development, disposals and acquisitions, and services of an administrative, financial, fiscal and corporate nature. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the time devoted to them and the specific economic advantages obtained as a result.

In 2010 the Holding Company Sogefi S.p.A. used the services of CIR S.p.A., paying € 1,860 thousand for them (€ 1,850 thousand in the previous year).

As of December 31, 2010, the Italian companies of the Sogefi Group had receivables of € 3,192 thousand due from CIR S.p.A. in connection with the Group tax filing system. As of December 31, 2009, receivables amounted to € 4,307 thousand, and were received in full during the course of 2010.

At the end of 2010, the subsidiary Sogefi Rejna S.p.A. recorded an income of € 45 thousand following the transfer to companies that have joined the CIR Group tax filing system of fiscal surplus in order to have an interest deduction; the Holding Company Sogefi S.p.A. recorded an expense of € 263 thousand due to the payment for the fiscal surplus received from the companies that have joined the CIR Group tax filing system.

In 2010, the subsidiary Allevard Rejna Autosuspensions S.A. provided commercial services to the associate Allevard Ressorts Composites S.a.S. for a total of € 25 thousand (€ 50 thousand in 2009) and purchased finished products from the same company amounting to € 61 thousand.

As regards transactions with the directors, statutory auditors and managers with strategic responsibilities, reference should be made to the table in the "Report on operations" which gives a list of investments held in Group companies. For the compensation paid to them in 2010, see the table below.

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

The following table summarises related party transactions:

<i>(in thousands of Euro)</i>	2010	2009
<b>Receivables</b>		
- for the Group tax filing from CIR S.p.A.	3,192	4,307
- for income following the transfer of fiscal surplus to the CIR Group	45	-
- for services rendered to Allevard Resorts Composites S.a.S.	-	59
<b>Payables</b>		
- for purchases of energy/gas from Sorgenia S.p.A.	8	8
- for expense due to fiscal surplus received from the CIR Group	263	-
<b>Revenues</b>		
- for services rendered to Allevard Resorts Composites S.a.S.	25	50
<b>Costs</b>		
- for services received from CIR S.p.A.	1,860	1,850
- for net expense due to fiscal surplus received from the CIR Group	217	-
- for the purchase of finished products from Allevard Resort Composite S.a.S.	61	-
<b>Compensation of directors and statutory auditors</b>		
- directors	1,525	936
- statutory auditors	128	149
<b>Other compensation to the Managing Director of the Holding Company</b>	339	388
<b>Compensation to Manager with strategic responsibilities ex Consob resolution no. 17221/2010(*)</b>	533	501

(\*) the amounts indicated refer to a Manager with strategic responsibilities identified as "Related party" within the "Discipline on related party transactions" adopted by the Company pursuant to Consob resolution no. 17221/2010.

In 2010 the total expenses for the "Other compensation to the Managing Director of the Holding Company", the "Compensation to Manager with strategic responsibilities ex Consob resolution no. 17221/2010" and related contributions, employment termination indemnities and fringe benefits amount to € 1,187 thousand (€ 1,220 thousand in 2009).

## G) COMMITMENTS AND RISKS

### 41. OPERATING LEASES

For accounting purposes, leases and rental contracts are classified as operating when:

- a significant part of the risks and benefits associated with ownership are retained by the lessor;
- there are no purchase options at prices that do not represent the presumable market value of the asset being leased at the end of the period;
- the lease term is not for the major part of the useful life of the asset leased or rented.

Operating lease instalment payments are booked to the income statement in line with the underlying contracts.

The main operating leases existing as of December 31, 2010 regard the following subsidiaries:

- Allevard Federn GmbH for the rental of the production plant in Volklingen.

Note that in May 2010, the subsidiary Allevard Federn GmbH renewed the rental contract for its production plant up to May 2020. At December 31, 2010, the remaining payments amount to € 3,574 thousand, of which € 367 thousand is due by the end of the year.

The Group has not given any guarantees for this contract;

- Allevard Sogefi U.S.A. Inc. for the rental of its production plant in Prichard (West Virginia).

The contract expires in May 2019, the remaining payments at December 31, 2010 amount to USD 3,434 thousand, of which USD 444 thousand is due by the end of the year.

For this contract Sogefi S.p.A. provided a guarantee equal to 54% of the residual instalments still to fall due.

The guarantee is renewed at the end of each year according to the residual amount.

There are no restrictions of any kind on this type of lease and at the end of the contract the US company will be able to purchase the building at its market value.

Future lease payments under operating leases outstanding as of December 31, 2010 are as follows:

(in thousands of Euro)	2010	2009
Within 12 months	4,901	4,888
Between 1 and 5 years	9,293	9,708
Beyond 5 years	2,961	1,250
<b>TOTAL</b>	<b>17,156</b>	<b>15,846</b>

### 42. INVESTMENT COMMITMENTS

At December 31, 2010, there are no binding commitments for investments other than those relating to the purchase of property, plant and equipment for € 4,266 thousand, € 746 thousand at the end of the previous year, as already disclosed in the explanatory notes regarding tangible fixed assets.

### 43. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	12.31.2010	12.31.2009
<b>PERSONAL GUARANTEES GIVEN</b>		
a) Sureties to third parties	1,021	987
b) Other personal guarantees in favour of third parties	9,714	9,714
<b>TOTAL PERSONAL GUARANTEES GIVEN</b>	<b>10,735</b>	<b>10,701</b>
<b>REAL GUARANTEES GIVEN</b>		
a) Against liabilities shown in the financial position	5,643	1,557
<b>TOTAL REAL GUARANTEES GIVEN</b>	<b>5,643</b>	<b>1,557</b>

*The guarantees given in favour of third parties relate to guarantees given to certain customers and to operating lease contracts; guarantees are shown at a value equal to the outstanding commitment at the reporting period. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.*

*The “Other personal guarantees in favour of third parties” relate to the commitment of the subsidiary LPDN GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.*

*“Real guarantees given” refer exclusively to the Indian subsidiaries Sogefi M.N.R. Filtration India Private Ltd and EMW Environmental Technologies Private Ltd which have real guarantees on tangible fixed assets, inventories and trade receivables to secure loans obtained from financial institutions.*

#### 44. OTHER RISKS

*As of December 31, 2010, the Group had third-party goods and materials held at Group companies worth € 5,180 thousand (€ 6,302 thousand as of December 31, 2009).*

#### 45. POTENTIAL LIABILITIES

*Sogefi Group is managing Environmental issues in some production plants. No relevant costs are expected.*

*In 2004, the subsidiary Sogefi Filtration Ltd purchased the assets and liabilities of Filtrauto UK Ltd, thus taking charge of employer as regards the pension funds of Filtrauto UK Ltd’s Staff Pension Scheme and Filtrauto UK Ltd’s Works Pension Scheme. Said funds are defined benefit plans.*

*Between 1990 and 2006, the employer and the pension fund trustees received professional advices from leading consulting companies to equalise the conditions of the pension funds, as required by amended legislation.*

*It shows that the above equalisation may not have been correctly applied.*

*Sogefi Filtration Ltd has therefore submitted a “protective claim” to the consultants at Birmingham High Court.*

*We are waiting for the consultants to present their case.*

*The Court could conclude that the equalisation was correctly applied, or that there is a potential liability.*

*In the latter case, we are confident that almost the entire amount of any liability can be recovered from the consultants.*

*An initial valuation of the maximum potential liability, before its likely recovery from the consultants amounts to around € 1.9 million.*

#### 46. ATYPICAL OR UNUSUAL TRANSACTIONS

*Pursuant to Consob Communication dated July 28, 2006, it is specified that the Group did not implement any atypical and/or unusual transactions during 2010.*

#### 47. SUBSEQUENT EVENTS

*In February 2011, the procedure for the merger by incorporation of Sogefi Filtration A.B. (Sweden) and Sogefi Filtration B.V. (Holland) into Filtrauto S.A. (France) was launched, which will be concluded during the course of the year, taking effect from January 1, 2011.*

## H) GROUP COMPANIES

### 48. LIST OF GROUP COMPANIES AS OF DECEMBER 31, 2010

#### SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

<i>Direct subsidiaries</i>						
	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<i>SOGEFI REJNA S.p.A. Mantova (Italy)</i>	<i>Euro</i>	<i>21,978,316</i>	<i>21,950,994</i>	<i>99.88</i>	<i>1</i>	<i>21,950,994</i>
<i>SOGEFI FILTRATION Ltd Llantrisant (Great Britain)</i>	<i>GBP</i>	<i>5,126,737</i>	<i>5,126,737</i>	<i>100.00</i>	<i>1</i>	<i>5,126,737</i>
<i>SOGEFI FILTRATION S.A. Cerdanyola (Spain) 86.08% held by Sogefi S.p.A. 13.92% held by Filtrauto S.A.</i>	<i>Euro</i>	<i>12,953,713.60</i>	<i>2,155,360</i>	<i>100.00</i>	<i>6.01</i>	<i>12,953,713.60</i>
<i>FILTRAUTO S.A. Guyancourt (France)</i>	<i>Euro</i>	<i>5,750,000</i>	<i>287,494</i>	<i>99.99</i>	<i>20</i>	<i>5,749,880</i>
<i>ALLEVARD REJNA AUTOSUSPENSIONS S.A. Saint Cloud (France)</i>	<i>Euro</i>	<i>36,000,000</i>	<i>1,999,747</i>	<i>99.987</i>	<i>18</i>	<i>35,995,446</i>
<i>ALLEVARD SOGEFI U.S.A. Inc. Prichard (U.S.A.)</i>	<i>USD</i>	<i>20,055,000</i>	<i>191</i>	<i>100.00</i>		<i>20,055,000</i>
<i>SOGEFI FILTRATION d.o.o. Medvode (Slovenia)</i>	<i>Euro</i>	<i>10,291,798</i>		<i>100.00</i>		<i>10,291,798</i>
<i>SOGEFI PURCHASING S.A.S. Guyancourt (France)</i>	<i>Euro</i>	<i>100,000</i>	<i>10,000</i>	<i>100.00</i>	<i>10</i>	<i>100,000</i>
<i>SHANGHAI SOGEFI AUTO PARTS Co., Ltd Shanghai (China)</i>	<i>USD</i>	<i>13,000,000</i>		<i>100.00</i>		<i>13,000,000</i>

<i>Indirect subsidiaries</i>	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<b>FILTER DIVISION</b>						
<i>FILTRAUTO GmbH (*) Ludwigsburg (Germany) Held by Sogefi Filtration B.V.</i>	<i>Euro</i>	<i>51,130</i>		<i>100.00</i>		<i>51,130</i>
<i>SOGEFI FILTRATION DO BRASIL Ltda São Bernardo do Campo (Brazil) Held by Sogefi Filtration S.A.</i>	<i>BRL</i>	<i>29,857,374</i>	<i>29,857,373</i>	<i>99.99</i>	<i>1</i>	<i>29,857,373</i>
<i>SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) 91.09% held by Sogefi Filtration do Brasil Ltda 7.82% held by Filtrauto S.A. 0.81% held by Sogefi Rejna S.p.A.</i>	<i>ARP</i>	<i>10,691,607</i>	<i>10,691,605</i>	<i>99.99</i>	<i>1</i>	<i>10,691,605</i>
<i>SOGEFI M.N.R. FILTRATION INDIA Private Ltd Bangalore (India) Held by Filtrauto S.A.</i>	<i>INR</i>	<i>15,893,480</i>	<i>953,609</i>	<i>60.00</i>	<i>10</i>	<i>9,536,090</i>
<i>EMW ENVIRONMENTAL TECHNOLOGIES Private Ltd Bangalore (India) Held by Filtrauto S.A.</i>	<i>INR</i>	<i>475,000</i>	<i>28,500</i>	<i>60.00</i>	<i>10</i>	<i>285,000</i>
<i>SOGEFI FILTRATION B.V. Weesp (The Netherlands) Held by Filtrauto S.A.</i>	<i>Euro</i>	<i>1,125,000</i>	<i>2,500</i>	<i>100.00</i>	<i>450</i>	<i>1,125,000</i>
<i>SOGEFI FILTRATION A.B. Stockholm (Sweden) Held by Filtrauto S.A.</i>	<i>SEK</i>	<i>100,000</i>	<i>1,000</i>	<i>100.00</i>	<i>100</i>	<i>100,000</i>

(\*) *in liquidation*



<i>Indirect subsidiaries</i>	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<b>SUSPENSION DIVISION</b>						
<i>ALLEVARD SPRINGS Ltd Clydach (Great Britain) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>GBP</i>	<i>4,000,002</i>	<i>4,000,001</i>	<i>99.99</i>	<i>1</i>	<i>4,000,001</i>
<i>ALLEVARD FEDERN GmbH Völklingen (Germany) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>50,000</i>		<i>100.00</i>		<i>50,000</i>
<i>ALLEVARD REJNA ARGENTINA S.A. Buenos Aires (Argentina) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>ARP</i>	<i>600,000</i>	<i>599,827</i>	<i>99.97</i>	<i>1</i>	<i>599,827</i>
<i>IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spain) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>10,529,668</i>	<i>5,264,834</i>	<i>50.00</i>	<i>1</i>	<i>5,264,834</i>
<i>ALLEVARD MOLAS DO BRASIL Ltda São Paulo (Brazil) 99.997% held by Allevard Rejna Autosuspensions S.A. 0.003% held by Allevard Springs Ltd</i>	<i>BRL</i>	<i>37,161,683</i>	<i>37,161,683</i>	<i>100.00</i>	<i>1</i>	<i>37,161,683</i>
<i>UNITED SPRINGS Ltd Rochdale (Great Britain) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>GBP</i>	<i>6,500,000</i>	<i>6,500,000</i>	<i>100.00</i>	<i>1</i>	<i>6,500,000</i>
<i>UNITED SPRINGS B.V. Hengelo (The Netherlands) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>254,979</i>	<i>254,979</i>	<i>100.00</i>	<i>1</i>	<i>254,979</i>
<i>SHANGHAI ALLEVARD SPRING Co., Ltd Shanghai (China) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>5,335,308</i>		<i>60.58</i>		<i>3,231,919</i>
<i>UNITED SPRINGS S.A.S. Saint Cloud (France) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>10,218,000</i>	<i>2,043,599</i>	<i>99.99</i>	<i>5</i>	<i>10,217,995</i>
<i>S.A.R.A COMPOSITE S.A.S. Saint Cloud (France) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>Euro</i>	<i>6,000,000</i>	<i>5,000,000</i>	<i>83.33</i>	<i>1</i>	<i>5,000,000</i>
<i>ALLEVARD IAI SUSPENSIONS Private Ltd Pune (India) Held by Allevard Rejna Autosuspensions S.A.</i>	<i>INR</i>	<i>112,000,000</i>	<i>5,712,000</i>	<i>51.00</i>	<i>10</i>	<i>57,120,000</i>
<i>LUHN &amp; PULVERMACHER - DITTMANN &amp; NEUHAUS GmbH Hagen (Germany) Held by Allevard Federn GmbH</i>	<i>Euro</i>	<i>50,000</i>		<i>100.00</i>		<i>50,000</i>

## EQUITY INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

<i>Indirect subsidiaries</i>	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<i>INTEGRAL S.A. (*) San Luis (Argentina) 93.50% held by Filtrauto S.A. 6.50% held by Sogefi Filtration Argentina S.A.</i>	<i>ARP</i>	<i>2,515,600</i>	<i>2,515,600</i>	<i>100.00</i>	<i>1</i>	<i>2,515,600</i>

*(\*) in liquidation*

## EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<i>UMC &amp; MAKKAWI SPRING MANUFACTURING Co., Ltd Khartoum (Sudan) Held by Sogefi Rejna S.p.A.</i>	<i>SDP</i>	<i>900,000</i>	<i>225</i>	<i>25.00</i>	<i>1,000</i>	<i>225,000</i>

	<i>Currency</i>	<i>Share capital</i>	<i>Number of shares</i>	<i>% held</i>	<i>Par value per share</i>	<i>Par value of the interest held</i>
<i>AFICO FILTERS S.A.E. Cairo (Egypt) Held by Sogefi Rejna S.p.A.</i>	<i>EGP</i>	<i>11,000,000</i>	<i>24,880</i>	<i>22.62</i>	<i>100</i>	<i>2,488,000</i>

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

1. *The undersigned:*

*Emanuele Bosio – Chief Executive Officer of Sogefi S.p.A.*

*Giancarlo Coppa – Manager responsible for preparing Sogefi S.p.A.'s financial reports*

*hereby certify having also taken into consideration the provisions of Article 154-bis, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998 that:*

*the administrative and accounting procedures for the preparation of the consolidated financial statements for the 2010 fiscal year:*

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

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

3. *It is also certified that:*

3.1 *the consolidated financial statements at December 31, 2010:*

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

3.2 *The report on operations includes a reliable analysis of the performance and results of operations and also the position of the issuer and the companies included in the scope of consolidation together with all principle risks and uncertainties that the Group is exposed.*

*Milano, February 24, 2011*

*Chief Executive Officer*

*Emanuele Bosio*

*Manager responsible for preparing  
financial reports*

*Giancarlo Coppa*

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ART. 153 OF LEGISLATIVE DECREE 58/98, LEGISLATIVE DECREE 39/10 AND ART. 2429 OF THE ITALIAN CIVIL CODE**

*Dear Shareholders,*

*this report refers to the activities conducted by the Board of Statutory Auditors during the year ended December 31, 2010, as required by article 2429 of the Italian Civil Code and article 153 of Legislative Decree 58/98 and article 19 of Legislative Decree 39/10, in accordance with the principles recommended by the National Council of Accountants and with Consob Circular no. 1025564 dated April 6, 2001, and subsequent amendments.*

*In particular, please note the following:*

- 1. The Board of Directors, in accordance with article 150 of Legislative Decree 58/98, informed the Board of Statutory Auditors at regular intervals about the business and about significant operational, financial and equity-related operations conducted by Sogefi S.p.A. and its subsidiaries. These operations were conforming to the law and the by-laws and have been adequately described in the Report on Operation. The statutory auditors also ensured themselves, including by interviewing members of the Board, that the operations were not imprudent, risky, in conflict with past resolutions or in potential conflict of interest or, in any case, of such a nature as to jeopardise integrity of the capital stock.*
- 2. The Board of Statutory Auditors did not find evidence of any atypical or unusual transactions by the Company with third parties, related parties or with group companies.*
- 3. The business conducted between Sogefi S.p.A. and the other group companies concerns operations conducted in the company's interest, at arm's length, considering also the quality and specific nature of the services provided, and have been adequately described in the documents accompanying the financial statements.*
- 4. On March 24, 2011, the independent auditors, Deloitte & Touche S.p.A., issued their audit reports for the statutory and consolidated financial statements as at December 31, 2010, without any disclosure observations or statements.*
- 5. The Board of Statutory Auditors did not receive any complaints pursuant to article 2408 of the Italian Civil Code.*
- 6. The Board of Statutory Auditors did not receive any statements of complaint.*
- 7. On February 22, 2010, in accordance with the law, the Board of Statutory Auditors issued its proposal to the Ordinary Shareholders' Meeting regarding the appointment of independent auditors Deloitte & Touche S.p.A..*
- 8. During the 2010, mandates were awarded to the independent auditors, Deloitte & Touche S.p.A., respectively for auditing the statutory and consolidated financial statements for 2010-2018, for half-yearly audits and for continuous monitoring of the accounts. These mandates will therefore expire upon approval of the financial statements for the year 2018.*
- 9. During the year costs totalling € 95 thousand were sustained for auditing services provided to the Holding Company and costs of € 873 thousand for those provided to Group subsidiaries.*

10. *On March 24, 2011, independent auditors Deloitte & Touche S.p.A. advised of their independence and stated that they had not provided any services other than auditing to the Holding Company, including those provided by parties belonging to its network, as provided for by article 17, paragraph 9, letter a) of Legislative Decree 39/10. The fees paid to the independent auditors or to parties belonging to its network for services other than auditing provided to other companies controlled by the body of public interest totalled € 40 thousand, and for the issue of an opinion pursuant to article 2437-ter of the Italian Civil Code were € 40 thousand.*
11. *Independent auditors Deloitte & Touche S.p.A., as provided for by article 18 of Legislative Decree 39/10, published its Transparency report on its website and the Board of Statutory Auditors has examined the same.*
12. *As provided for by article 19, paragraph 3 of Legislative Decree 39/10, on March 24, 2011, Independent auditors Deloitte & Touche S.p.A. presented its Report on fundamental issues that arose during the legal audit to the Internal Control and Audit Committee, in particular the significant shortcomings found in the internal control system as regards the financial information process. This issues illustrated in the afore-mentioned report had already been presented and illustrated to the Internal Control and Audit Committee at meetings held in 2010 at the registered office of the Holding Company.*
13. *The Board of Statutory Auditors verified, pursuant to article 3-c-5 of the Corporate Governance Code, that the criteria and procedures adopted by the Board of Directors to evaluate the independence of its members were correctly applied. The Board also verified compliance with the requirements of independence of Statutory Auditors as envisaged in the above-mentioned Corporate Governance Code.*
14. *In 2010, the Board of Statutory Auditors met 8 times, the Board of Directors met 5 times, with the attendance of the Board of Statutory Auditors at all meetings, the Internal Control Committee met 4 times and the Remuneration Committee met twice.*
15. *The Board of Statutory Auditors collected information and ensured, as far as possible, that correct governance principles were complied with, by means of direct observation, collection of information from those responsible for the various functions and by meeting with executives of the independent auditors in order to exchange relevant data and information. No observations were made in connection with this.*
16. *The Board of Statutory Auditors also collected information and ensured, as far as possible, that the company's organisational structure was adequate, and nothing worthy of note was found.*
17. *The Board of Statutory Auditors oversaw suitability of the internal control system and the administration-accounting system, and whether the latter could be relied on to provide an accurate representation of management events by: studying the reports of the manager responsible for preparing the company's financial reports; obtaining information from the managers of the respective functions; relations with Board Directors and the management bodies of subsidiaries, pursuant to paragraphs 1 and 2 of article 151 of Legislative Decree 58/98 and participating in the activities of the Internal Control Committee. No anomalies emerged from these activities that could be seen as indicating an unsuitable internal control system.*
18. *Within its scope of responsibility pursuant to art. 19 of Legislative Decree 39/10, the Board of Statutory Auditors also monitored the adequacy and efficiency of the procedures adopted by the Company in the preparation and disclosure of financial information containing accounting data.*
19. *During the year the Board of Statutory Auditors, within the supervisory functions attributed by the afore-mentioned article 19 of Legislative Decree 39/10, ensured that the legal auditing of accounts was carried out in compliance with legal and auditing principles, verifying said activities in terms of adequacy, correctness and effectiveness.*

20. *The Company has provided its subsidiaries with instructions on how to fulfil their disclosure obligations pursuant to art. 114, paragraph 2 of Legislative Decree 58/98. These instructions appear to be sufficient to meet the requirements of the law.*
21. *The Board of Statutory Auditors ascertained, by checking directly and from information collected from the Independent Auditors, that legal provisions and regulations were observed in relation to the drafting and layout of the statutory and consolidated financial statements and the accompanying documents, which were drafted by the management board according to going concern principles.*
22. *With reference to Corporate Governance and the arrangements for implementing the governance rules set out in the Code of Corporate Governance published by Borsa Italiana S.p.A., the arrangements adopted by the Company were explained in full in the specific report, the contents of which are approved by the Board of Statutory Auditors.*
23. *No significant facts emerged during the oversight and control activities that need to be reported to the controlling bodies or mentioned in this report.*
24. *The Board of Statutory Auditors, acknowledging the results of the statutory financial statements as at December 31, 2010, which show net profit of € 12,444,747 while the consolidated financial statements of the Sogefi Group show a net profit of € 18,821,000, has no objections to the proposed allocation of the profits for the year submitted by the Board of Directors for approval.*

*Mantova, March 25, 2011*

**The Board of Statutory Auditors**

*Angelo Girelli (Chairman)*

*Giuseppe Leoni (Acting Auditor)*

*Riccardo Zingales (Acting Auditor)*



## AUDITORS' REPORT PURSUANT TO ART. 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

### To the Shareholders of SOGEFI S.p.A.

1. We have audited the consolidated financial statements of Sogefi S.p.A. and subsidiaries (the "Sogefi Group") which comprise the statement of financial position as of December 31, 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005, are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards recommended by CONSOB, the Italian Commission for listed Companies and the Stock Exchange. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.  
  
For the opinion on the prior year's consolidated financial statements, whose data are presented for comparative purposes, reference should be made to the auditors' report issued by other auditors on March 10, 2010.
3. In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Sogefi Group as of December 31, 2010, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/2005.

4. The Directors of Sogefi S.p.A. are responsible for the preparation of the report on operations and the annual report on corporate governance, published in the “Investor relations” section of Sogefi S.p.A.’s website, in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the report on operations and of the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998, paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) in the annual report on corporate governance, with the consolidated financial statements, as required by law. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the report on operations and the information reported in compliance with art. 123-bis of Italian Legislative Decree n. 58/1998 paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) included in the annual report on corporate governance are consistent with the consolidated financial statements of the Sogefi Group as of December 31, 2010.

DELOITTE & TOUCHE S.p.A.

*Signed by*  
Vincenzo Mignone  
Partner

Milan, Italy  
March 24, 2011

*This report has been translated into the English language solely for the convenience of international readers.*