REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS IN 2011

Shareholders,

in 2011, the Sogefi Group achieved the highest revenue figure in its history in spite of a drop in demand recorded in many markets in the last part of the year as a result of economic and financial market conditions becoming uncertain again.

In 2011, the Sogefi Group realised ***revenues*** *for Euro 1,158.4 million, which was 25.3% higher than the 924.7 million recorded in 2010. Such growth can be partly traced back to the activities of Systèmes Moteurs – the French group engaged in the manufacture of air intake and engine cooling systems purchased from American Group Mark IV – which were consolidated from August onwards. Such acquisition will enable Sogefi to expand its product lines, improve penetration of the North American, Chinese and Indian markets, and strengthen its presence among German manufacturers of top-end vehicles.*

On a like-for-like basis, Group revenues improved over 2010 as well, with sales totalling Euro 1,021.2 million (+10.4% over the previous year).
Pro-forma revenues – including Systèmes Moteurs activities from January 1, 2011 onwards – amount to Euro 1,335 million.

Consolidated net profit *also grew, namely to Euro 24.7 million, i.e. up 31.4% from the 18.8 million of the previous year.*

Net financial indebtedness *as of December 31, 2011 amounts to Euro 299.8 million, as compared to 164.9 million at the end of the year 2010. The increase is mainly connected with the Systèmes Moteurs acquisition mentioned above.*

Renewed difficulties with the European financial markets adversely affected production volumes in the automotive industry, that kept growing during the first part of the year and then experienced yet another sluggish phase both for cars and industrial vehicles during the last months of the year.

In line with forecasts, Europe was the most problematic market in 2011, with new registrations dropping by 1.7% compared to the previous year. The South American, Chinese and Indian markets kept growing, though at lower rates than the previous three years. The Japanese market witnessed a substantial fall in production levels, also due to the catastrophic events occurred in March. Conversely, strong growth characterised the North American market, where major manufacturers improved their production and sales levels. In the automotive market, the General Motors Group regained its position as the world's leading manufacturer with over nine million cars sold, followed by European manufacturer Volkswagen (8.2 million) and Renault Nissan (8 million). Toyota recorded a 5.6% drop and ranks fourth among global manufacturers, followed by Korean manufacturer Hyundai Kia (+14.5%), that outranked Ford, Fiat Chrysler and PSA. Volumes kept growing for German premium segment manufacturers (Audi, BMW, Mercedes), that benefit from significant export volumes.

In the industrial vehicle sector, Sogefi's activity had a good recovery over the levels recorded during the low in 2009 in the first half of 2011, though they quickly slowed down in the last quarter.

Sogefi continued to pursue its strategy of strengthening its presence in non-European markets, with activities growing in Mercosur (+9.6%), North America (+266.1% including the strong contribution from Systèmes Moteurs S.A.S.; on a like-for-like basis, the increase would have been by 46.1%), China (+36.4%) and India (+37.6%).

(in millions of Euro)	2011		2010	
	Amount	%	Amount	%
France	246.9	21.3	207.4	22.4
Germany	158.3	13.7	119.9	13.0
Great Britain	97.1	8.4	79.0	8.5
Italy	79.4	6.9	71.6	7.7
Benelux	59.9	5.2	47.4	5.1
Spain	47.9	4.1	36.5	3.9
Russia	4.5	0.4	3.3	0.4
Other European Countries	110.9	9.5	94.2	10.3
Mercosur	240.5	20.8	219.4	23.7
United States	54.0	4.7	18.6	2.0
China	17.2	1.5	12.6	1.4
India	13.3	1.2	9.7	1.0
Mexico	10.3	0.8	1.2	0.1
Canada	8.2	0.7	-	-
Rest of the World	10.0	0.8	3.9	0.5
TOTAL	1,158.4	100.0	924.7	100.0

The less than impressive trend of filter sales in the European independent aftermarket (IAM) confirmed that the Group's main source of revenues is the original equipment sector (OE), that rose to 73.3% of total revenues, partly as a result of the acquisition of Systèmes Moteurs, that is primarily engaged in the OEM segment, as shown in detail in the table below.

(in millions of Euro)	2011		2010	
	Amount	%	Amount	%
Original Equipment (O.E.)	848.9	73.3	610.4	66.0
Independent Aftermarket (I.A.M.)	196.6	17.0	204.8	22.1
Original Equipment Spares (O.E.S.)	112.9	9.7	109.5	11.9
TOTAL	1,158.4	100.0	924.7	100.0

Activities in the suspension components sector rose by 18.6%, compared with a moderate increase (+2.3%) in filter systems activities net of the additional activities of Systèmes Moteurs. After the acquisition, the filter business unit was renamed Engine Systems Division, which includes the operations in existence before that Systèmes Moteurs was included in the scope of consolidation (actually named Fluid Filters) and the operations of the newly acquired company (named Air Intake and Cooling).

(in millions of Euro)	*2011*		*2010*	
	Amount	*%*	*Amount*	*%*
Engine systems	*611.5*	*52.8*	*465.1*	*50.3*
Suspension components	*547.7*	*47.3*	*461.6*	*49.9*
Intercompany eliminations	*(0.8)*	*(0.1)*	*(2.0)*	*(0.2)*
TOTAL	*1,158.4*	*100.0*	*924.7*	*100.0*

As usual, below is a breakdown of revenues by customers that shows how such customers as Ford, GM and BMW recorded a good growth (as percentage on total sales) thanks to the contribution of Systèmes Moteurs. Sales to industrial customers DAF/Paccar and MAN also grew.

(in millions of Euro)	*2011*		*2010*	
Group	*Amount*	*%*	*Amount*	*%*
PSA	*154.3*	*13.3*	*121.1*	*13.1*
Renault/Nissan	*131.0*	*11.3*	*105.3*	*11.4*
Ford	*114.0*	*9.8*	*80.5*	*8.7*
Fiat/Iveco/Chrysler	*85.3*	*7.4*	*76.8*	*8.3*
Daimler	*85.1*	*7.3*	*64.3*	*7.0*
GM	*73.8*	*6.4*	*32.4*	*3.5*
Volkswagen/Audi	*65.2*	*5.6*	*55.2*	*6.0*
Volvo	*32.1*	*2.8*	*22.0*	*2.4*
DAF/Paccar	*31.5*	*2.7*	*18.7*	*2.0*
Man	*27.2*	*2.3*	*14.9*	*1.6*
BMW	*18.9*	*1.6*	*5.9*	*0.6*
Toyota	*17.7*	*1.5*	*13.6*	*1.5*
Caterpillar	*9.6*	*0.8*	*6.6*	*0.7*
Honda	*5.9*	*0.5*	*8.1*	*0.9*
Other	*306.8*	*26.7*	*299.3*	*32.3*
TOTAL	*1,158.4*	*100.0*	*924.7*	*100.0*

A breakdown of revenues by product line – reported below – shows an uptrend in revenues from suspension products and reports the data relating to Systèmes Moteurs product lines for the August-December period only.

(in millions of Euro)	*2011*		*2010*	
	Amount	*%*	*Amount*	*%*
Stabilizer bars	*225.9*	*19.5*	*190.8*	*20.6*
Oil filters	*195.2*	*16.8*	*202.6*	*21.9*
Coil springs	*158.9*	*13.7*	*137.2*	*14.8*
Air filters	*116.1*	*10.0*	*116.9*	*12.6*
Diesel filters	*106.4*	*9.2*	*90.5*	*9.8*
Leaf springs	*86.5*	*7.5*	*65.8*	*7.1*
Air intake manifold	*64.0*	*5.5*	*-*	*-*
Cooling system	*30.6*	*2.6*	*-*	*-*
Air duct	*25.5*	*2.2*	*-*	*-*
Precision springs	*19.6*	*1.7*	*19.2*	*2.1*
Stabilinks	*19.1*	*1.6*	*13.9*	*1.5*
Petrol filters	*18.5*	*1.6*	*20.8*	*2.3*
Cabin filters	*15.3*	*1.3*	*14.1*	*1.5*
Torsion bars	*13.6*	*1.2*	*15.2*	*1.6*
Railway	*11.5*	*1.0*	*9.6*	*1.1*
Other	*51.7*	*4.6*	*28.1*	*3.1*
TOTAL	*1,158.4*	*100.0*	*924.7*	*100.0*

As a result of the consolidation of the newly purchased company, all consolidated results improved over the previous year, as shown in the following table.

(in millions of Euro)	*2011*		*2010*	
	Amount	*%*	*Amount*	*%*
Sales revenues	*1,158.4*	*100.0*	*924.7*	*100.0*
Variable cost of sales	*805.9*	*69.6*	*622.9*	*67.4*
CONTRIBUTION MARGIN	*352.5*	*30.4*	*301.8*	*32.6*
Manufacturing and R&D overheads	*115.0*	*9.9*	*98.6*	*10.6*
Depreciation and amortization	*48.8*	*4.2*	*44.9*	*4.9*
Distribution and sales fixed expenses	*35.3*	*3.0*	*32.4*	*3.5*
Administrative and general expenses	*64.3*	*5.6*	*58.4*	*6.3*
OPERATING RESULT	*89.1*	*7.7*	*67.5*	*7.3*
Restructuring costs	*8.8*	*0.8*	*12.0*	*1.3*
Losses (gains) on disposal	*0.1*	*-*	*(0.5)*	*-*
Exchange (gains) losses	*0.9*	*0.1*	*0.2*	*-*
Other non-operating expenses (income)	*19.8*	*1.7*	*14.0*	*1.5*
EBIT	*59.5*	*5.1*	*41.8*	*4.5*
Financial expenses (income), net	*12.7*	*1.1*	*9.6*	*1.0*
Losses (gains) from equity investments	*-*	*-*	*(0.2)*	*-*
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	*46.8*	*4.0*	*32.4*	*3.5*
Income taxes	*18.9*	*1.6*	*11.6*	*1.3*
NET RESULT BEFORE NON-CONTROLLING INTERESTS	*27.9*	*2.4*	*20.8*	*2.2*
Loss (income) attributable to non-controlling interests	*(3.2)*	*(0.3)*	*(2.0)*	*(0.2)*
GROUP NET RESULT	*24.7*	*2.1*	*18.8*	*2.0*

Consolidated contribution margin *rose to Euro 352.5 million (30.4 % of revenues) from 301.8 million (32.6 % of revenues) in 2010.*

The year was characterised by a rising impact of the cost of materials (mainly due to steel price trends), which grew from 46% to 49.8%, in spite of extra costs being nearly totally passed on to sales prices.

The impact of labour cost on total revenues dropped from 24.6% to 22.9% and employees (including temporary workers and excluding employees under labour flexibility schemes) increased from 5,841 units at December 31, 2010 to 6,954 units after the new consolidation perimeter.

As of December 31, 2011, the Group employed a workforce of 6,708 compared to 5,574 as of December 31, 2010. Breakdown by business sectors is as follows:

	12.31.2011		12.31.2010	
	Number	%	Number	%
Engine systems	4,136	61.7	3,170	56.9
Suspension components	2,508	37.4	2,347	42.1
Other	64	0.9	57	1.0
TOTAL	6,708	100.0	5,574	100.0

and breakdown by category is provided below:

	12.31.2011		12.31.2010	
	Number	%	Number	%
Managers	108	1.6	87	1.6
Clerical staff	1,774	26.4	1,304	23.4
Direct blue collar workers	3,853	57.5	3,330	59.7
Indirect blue collar workers	973	14.5	853	15.3
TOTAL	6,708	100.0	5,574	100.0

Consolidated operating result *amounts to Euro 89.1 million (7.7 % of revenues), 31.9% up from the 67.5 million (7.3% of revenues) in the previous year.*
On a like-for-like basis, operating result would have been 78.6 million (7.7% of revenues), recording a 16.4% increase.

Reorganisation continued during the year, as the Llantrisant plant in Wales was strongly downsized and most subsidiaries implemented less extensive reorganisation plans in order to bring under control fixed costs. Overall, such plans cost Euro 8.8 million, compared to 12 million in 2010. Restructuring operations also include non-operating expenses for the amount of Euro 3.4 million in asset writedowns.
Non-operating expenses include Euro 4.4 million relating to consulting fees in connection with the acquisition of the Systèmes Moteurs Group and 0.8 million that reflect the margin included in the fair value of Systèmes Moteurs inventories at acquisition date recognised in the income statement.

Consolidated EBITDA *(Earnings Before Interest, Tax, Depreciation and Amortisation) for the year was Euro 108.3 million (9.3% of revenues), up 24.9% from 86.7 million (9.4% of revenues) in the previous year. On a like-for-like basis, it would have amounted to Euro 99.8 million (9.8% of revenues).*
Pro-forma EBITDA *for 2011 (including Systèmes Moteurs activities from January 1, 2011 onwards) amounts to Euro 123.1 million (9.2% of pro-forma revenues for the year 2011).*

Consolidated EBIT *(Earnings Before Interest and Tax) rose to Euro 59.5 million (5.1% of revenues) from 41.8 million (4.5% of revenues) in 2010. Excluding Systèmes Moteurs activities and acquisition costs, EBIT would amount to Euro 55.9 million (5.5% of revenues).*

Consolidated result before taxes and non-controlling interests*, which amounted to Euro 32.4 million in 2010, totalled Euro 46.8 million in 2011, higher interest cost due to increased indebtedness.*

As mentioned earlier, ***consolidated net result*** *increased by 31.4% over the previous year, namely to Euro 24.7 million compared to 18.8 million in 2010.*

Cash outflows relating to the purchase of Systèmes Moteurs for the amount of Euro 138.2 million (see next page for breakdown) and dividends paid for the amount of Euro 16.1 million caused the Group's net indebtedness to rise to Euro 299.8 million as of December 31, 2011, compared with 164.9 million as of December 31, 2010.

The following table provides a breakdown of indebtedness as of December 31, 2011:

(in millions of Euro)	*12.31.2011*	*12.31.2010*
Cash, banks, financial receivables and securities held for trading	*104.4*	*67.0*
Medium/long-term financial receivables	-	-
Short-term financial debts (*)	*(57.4)*	*(78.9)*
Medium/long-term financial debts	*(346.8)*	*(153.0)*
NET FINANCIAL POSITION	*(299.8)*	*(164.9)*

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

Changes in cash flows during the year are reported in the table below:

(in millions of Euro)	*Note**	*2011*	*2010*
SELF-FINANCING	*(f)*	*70.9*	*55.3*
Change in net working capital		*14.2*	*(15.4)*
Other medium/long-term assets/liabilities	*(g)*	*(5.0)*	*0.7*
CASH FLOW GENERATED BY OPERATIONS		***80.1***	***40.6***
Sale of equity investments	*(h)*	*-*	*0.1*
Net decrease from sale of fixed assets	*(i)*	*0.3*	*0.7*
TOTAL SOURCES		*80.4*	*41.4*
Increase in intangible assets		*20.5*	*11.7*
Purchase of tangible assets		*36.3*	*24.3*
Purchase of equity investments (**)		*146.5*	*-*
TOTAL APPLICATION OF FUNDS		*203.3*	*36.0*
Net financial position of subsidiaries purchased/sold during the year (**)		*8.3*	*-*
Exchange differences on assets/liabilities and equity	*(l)*	*(1.8)*	*0.7*
FREE CASH FLOW		***(116.4)***	***6.1***
Holding Company increases in capital		*0.3*	*0.3*
Net purchase of treasury share		*(2.7)*	*-*
Increases in share capital of consolidated subsidiaries		*-*	*0.9*
Dividends paid by the Holding Company to shareholders		*(14.9)*	*-*
Dividends paid by subsidiaries to non-controlling interests		*(1.2)*	*(2.0)*
CHANGES IN SHAREHOLDERS' EQUITY		*(18.5)*	*(0.8)*
Change in net financial position	*(m)*	***(134.9)***	***5.3***
Opening net financial position	*(m)*	***(164.9)***	***(170.2)***
CLOSING NET FINANCIAL POSITION	*(m)*	***(299.8)***	***(164.9)***

(*) see the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made;
(**) total Euro 138.2 million: consolidated net cash outflow for the purchase of Systèmes Moteurs S.A.S..

*As of December 31, 2011 **consolidated capital structure** reflects **consolidated equity** for the amount of Euro 195.9 million compared with 197.2 million as of December 31, 2010, as shown in the table below:*

(in millions of Euro)	*Note**	*12.31.2011*		*12.31.2010*	
		Amount	*%*	*Amount*	*%*
Short-term operating assets	*(a)*	*363.7*		*262.2*	
Short-term operating liabilities	*(b)*	*(299.4)*		*(218.4)*	
Net working capital		*64.3*	*12.5*	*43.8*	*11.5*
Equity investments	*(c)*	*0.8*	*0.2*	*0.4*	*0.1*
Intangible, tangible fixed assets and other medium and long-term assets	*(d)*	*527.0*	*102.3*	*409.8*	*108.1*
CAPITAL INVESTED		*592.1*	*115.0*	*454.0*	*119.7*
Other medium and long-term liabilities	*(e)*	*(77.4)*	*(15.0)*	*(74.7)*	*(19.7)*
NET CAPITAL INVESTED		*514.7*	*100.0*	*379.3*	*100.0*
Net financial indebtedness		*299.8*	*58.2*	*164.9*	*43.5*
Non-controlling interests		*19.0*	*3.7*	*17.2*	*4.5*
Consolidated equity of the Group		*195.9*	*38.1*	*197.2*	*52.0*
TOTAL		*514.7*	*100.0*	*379.3*	*100.0*

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

*In 2011, **gearing** (net financial position/total equity ratio) stood at 1.4 (due to higher indebtedness after the acquisition) compared to 0.77 at the end of 2010.*

***Net financial position/normalised EBITDA** (excluding costs and revenues from non-ordinary operations) **ratio** increased from 1.67 as of December 31, 2010 to 2.14.*

***ROI** (return on investment) for the year 2011 was 13.3% (11.4% in 2010) and **ROE** (return on equity) was 12.6% (10.3% in 2010).*

***New technical investments** during the year amounted to Euro 36.3 million and were aimed at upgrading production processes, developing products and increasing production capacity at non-European facilities.*

***Research and development** expenses during the year amounted to Euro 26.1 million (Euro 20.2 million in the previous year), and were focused on product engineering activities to develop components for new car platforms as well as new products, including: coil springs in composite materials, the new aluminium-foam cooling system for filters and the innovative diesel particulate filter.*

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)	*2011*	*2010*
Net result per Sogefi S.p.A. financial statements	*10.5*	*12.4*
Group share of results of subsidiary companies included in the consolidated financial statements	*35.1*	*25.5*
Writedowns/Gains of equity investments in Sogefi S.p.A.	*5.5*	*(6.5)*
Elimination of Sogefi S.p.A. dividends	*(26.7)*	*(12.1)*
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	*0.3*	*(0.5)*
NET RESULT PER CONSOLIDATED FINANCIAL STATEMENTS	*24.7*	*18.8*

Shareholders' equity

(in millions of Euro)	*12.31.2011*	*12.31.2010*
Shareholders' equity per Sogefi S.p.A. financial statements	*166.6*	*177.5*
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	*25.9*	*18.9*
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	*3.4*	*0.8*
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	*195.9*	*197.2*

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

In 2011, net result was Euro 10.5 million, down 15.7% from Euro 12.4 million in the previous year.
In the year 2011, the Company benefited from greater dividend flow (increased by Euro 14.6 million), which was partly offset by higher net financial expenses, which increased by Euro 1.9 million compared to the previous year.
The Company recognised a writedown of Euro 5.5 million under item "Adjustments to financial assets" to reduce the carrying value of Italy-based Group company Sogefi Rejna S.p.A. so as to adjust it to the result of the impairment test as of December 31, 2011.
"Other non-operating income (expenses)" include third-party consultant fees for the amount of Euro 4.4 million incurred in connection with legal, financial and tax due diligence on French company Systèmes Moteurs S.A.S. acquired in July 2011; an additional amount of Euro 0.9 million were debited to this item to adjust real estate investments held by the Holding Company Sogefi S.p.A. to fair value as of December 31, 2011. In the year 2010, item "Other non-operating income (expenses)" accounted for gains on sale of equity investments in Sogefi Filtration A.B. and Sogefi Filtration B.V..

(in millions of Euro)	2011	2010
Financial income/expenses and dividends	22.1	9.4
Adjustments to financial assets	(5.5)	-
Other operating revenues	12.8	11.7
Operating costs	(16.6)	(16.7)
Other non-operating income (expenses)	(5.3)	6.5
RESULT BEFORE TAXES	7.5	10.9
Income taxes	(3.0)	(1.5)
NET RESULT	10.5	12.4

*As regards the **statement of financial position**, the table below shows the main items as of December 31, 2011, compared with the figures recorded at the end of the previous year:*

(in millions of Euro)	Note*	12.31.2011	12.31.2010
Short-term assets	(n)	8.2	5.5
Short-term liabilities	(o)	(6.1)	(4.3)
Net working capital		2.1	1.2
Equity investments	(p)	389.6	268.9
Other fixed assets	(q)	30.8	28.5
CAPITAL INVESTED		422.5	298.6
Other medium and long-term liabilities	(r)	(1.2)	(1.6)
NET CAPITAL INVESTED		421.3	297.0
Net financial indebtedness		254.7	119.5
Shareholders' equity		166.6	177.5
TOTAL		421.3	297.0

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

The increase in "Equity investments" includes the effect of the acquisition of French company Systèmes Moteurs S.A.S. for the amount of Euro 126 million, net of the writedown of Sogefi Rejna S.p.A. subsidiary for the amount of Euro 5.5 million (as mentioned above).

"Other fixed assets" include an increase by Euro 1.5 million relating to capitalised costs for the multi-year project started during the second half of year 2011 to develop and implement a new integrated information system at a group-wide level.

"Shareholders' equity" as of December 31, 2011 decreased to Euro 166.6 million (Euro 177.5 million as of December 31, 2011) as the share premium reserve was used to purchase treasury shares, the retained earnings reserve was used to pay a dividend according to a resolution of the Shareholders' Meeting of April 19, 2011 and as a consequence of a reduction of the fair value reserve for interest rate hedging instruments, which were booked in accordance with hedge accounting principles.

***Net financial indebtedness** as of December 31, 2011 was Euro 254.7 million, with a net increase of Euro 135.2 million compared to December 31, 2010. This mainly reflects the cash outflow (Euro 126 million)** due to the acquisition of company Systèmes Moteurs S.A.S., the change in the fair value of interest rate hedging instruments (Euro 6.7 million) and the purchase of treasury shares net of capital increases through subscription of stock options (Euro 2.4 million).*

(in millions of Euro)	*12.31.2011*	*12.31.2010*
Short-term cash investments	*44.4*	*14.8*
Short/medium-term financial receivables to third and subsidiaries	*129.2*	*114.1*
Short-term financial debts (*)	*(103.7)*	*(113.3)*
Medium/long-term financial debts	*(324.6)*	*(135.1)*
NET FINANCIAL POSITION	*(254.7)*	*(119.5)*

(*) including current portions of medium and long-term financial debts.
(**) compared to the amount posted in the consolidated statement (Euro 138.2 million), the difference of Euro 12.2 million accounts for the loan granted by the Holding Company Sogefi S.p.A. (Euro 20.5 million, booked under "Short/medium-term financial receivables to third and subsidiaries") to Systèmes Moteurs S.A.S. net of the positive financial position of Group Systèmes Moteurs at the deal closing date (Euro 8.3 million).

*The table below illustrates the **cash flow statement** of Sogefi S.p.A. and highlights the effect of the cash outflows incurred during the year in connection with the Systèmes Moteurs S.A.S. acquisition, the increase in intangible assets and the purchase of treasury shares mentioned above:*

(in millions of Euro)	*Note**	*2011*	*2010*
SELF-FINANCING	(s)	14.9	12.5
Change in net working capital		(0.9)	(0.3)
Other medium/long term assets/liabilities	(t)	(4.2)	1.2
CASH FLOW GENERATED BY OPERATIONS		**9.8**	**13.4**
Sale of equity investments	(u)	-	5.4
TOTAL SOURCES		9.8	18.8
Increase in intangible assets		1.5	0.1
Purchase of tangible assets		-	-
Purchase of equity investments		126.2	2.4
TOTAL APPLICATION OF FUNDS		127.7	2.5
FREE CASH FLOW		**(117.9)**	**16.3**
Holding Company increases in capital		0.3	0.3
Net purchase of treasury shares		(2.7)	-
Dividends paid by the Holding Company		(14.9)	-
CHANGES IN SHAREHOLDERS' EQUITY		(17.3)	0.3
Change in net financial position	(v)	**(135.2)**	**16.6**
Opening net financial position	(v)	**(119.5)**	**(136.1)**
CLOSING NET FINANCIAL POSITION	(v)	**(254.7)**	**(119.5)**

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

PERFORMANCE BY BUSINESS DIVISION

ENGINE SYSTEMS DIVISION

The Engine Systems Division includes the pre-existing Filter Division, now renamed Fluid Filters, and the newly-acquired Systèmes Moteurs S.A.S., now renamed Air Intake and Cooling.

The division's key results and economic indicators for the year under consideration (not comparable with previous years) are indicated in the following table:

KEY ECONOMIC DATA

(in millions of Euro)	*2008*	*2009*	*2010*	*2011*	*Change '11 vs '10*
Sales revenues	*497.5*	*414.8*	*465.1*	*611.5*	*31.5%*
EBITDA	*44.0*	*27.1*	*39.2*	*47.0*	*19.9%*
Operating result	*43.2*	*22.1*	*35.8*	*41.3*	*15.2%*
EBIT	*26.6*	*9.7*	*19.4*	*23.0*	*18.4%*
Net result	*16.6*	*5.0*	*12.1*	*13.8*	*13.9%*

KEY FINANCIAL DATA

(in millions of Euro)	*2008*	*2009*	*2010*	*2011*	*Change '11 vs '10*
Shareholders' equity	*122.1*	*116.2*	*111.7*	*203.2*	*81.9%*
Net financial surplus (indebtedness)	*(4.5)*	*30.3*	*2.3*	*3.7*	*59.7%*

OTHER INDICATORS

	2008	*2009*	*2010*	*2011*	*Change '11 vs '10*
Number of employees	*3,516*	*3,400*	*3,170*	*4,136*	*30.5%*

A breakdown of the two main sectors is provided below:

(in millions of Euro)	*FLUID FILTERS*		*AIR INTAKE AND COOLING*		*Interc. elimin.*	*TOTAL ENGINE SYSTEMS DIVISION*	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*%*
Sales revenues	*475.9*	*100.0*	*135.7*	*100.0*	*(0.1)*	*611.5*	*100.0*
Operating result	*32.3*	*6.8*	*9.0*	*6.7*	*-*	*41.3*	*6.8*
EBIT	*15.7*	*3.3*	*7.3*	*5.4*	*-*	*23.0*	*3.8*
Result before taxes	*14.0*	*2.9*	*6.8*	*5.0*	*-*	*20.8*	*3.4*
Net result	*9.2*	*1.9*	*4.6*	*3.4*	*-*	*13.8*	*2.2*
Net financial surplus(indebtedness)	*8.9*		*(5.2)*		*-*	*3.7*	
Shareholders' equity	*111.6*		*91.5*		*0.1*	*203.2*	
Number of employees at December 31	*2,949*		*1,187*		*-*	*4,136*	

The performance posted in 2011 by the Engine Systems Division's activities in the four main areas in which it operates is analysed in the table below:

(in millions of Euro)	*ENGINE SYSTEMS DIVISION EUROPE*		*ENGINE SYSTEMS DIVISION NORTH AMERICA*		*ENGINE SYSTEMS DIVISION SOUTH AMERICA*		*ENGINE SYSTEMS DIVISION ASIA*		*Interc. elimin.*	*TOTAL ENGINE SYSTEMS DIVISION*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*Amount*	*%*
Sales revenues	412.5	100.0	65.2	100.0	123.0	100.0	14.9	100.0	(4.1)	611.5	100.0
Operating result	15.4	3.7	9.1	14.0	15.7	12.8	1.1	7.5	-	41.3	6.8
EBIT	0.3	0.1	8.1	12.4	13.6	11.0	1.1	7.4	(0.1)	23.0	3.8
Result before taxes	4.5	1.1	7.8	11.9	13.1	10.6	0.9	6.2	(5.5)	20.8	3.4
Net result	4.7	1.1	6.1	9.4	9.0	7.3	0.1	0.5	(6.1)	13.8	2.2
Net financial surplus (indebtedness)	4.1		(5.6)		2.4		2.8		-	3.7	
Shareholders' equity	196.7		24.7		32.3		13.4		(63.9)	203.2	
Number of employees at December 31	2,692		396		771		277		-	4,136	

*The **revenues** of the division amounted to Euro 611.5 million, including the 135.7 million reported by Systèmes Moteurs S.A.S. during the last five months as part of the consolidation. On like-for-like basis, revenues were Euro 475.9 million, reflecting weak demand on the European independent aftermarket, whereas the original equipment and original equipment spares sectors grew on all key markets (+4.2% Europe, +5.8% Mercosur, +45.8% USA, +183.9% China, +22.2% India).*

The profitability of the division rose in terms of absolute value after the acquisition, but its percentage on revenues fell as a result of dropping sales in the independent aftermarket (-4.1%), which is the most profitable market.

***EBITDA** and **EBIT** were affected by the costs incurred in connection with the reorganisation of the Welsh plant in Llantrisant (Euro 10.3 million).*

*As of December 31, 2011 the Division's **shareholders' equity** amounted to Euro 203.2 million and employees had increased from 3,170 units in the previous period to 4,136.*

*The Division's **net financial position** recorded a surplus of Euro 3.7 million at the end of the year.*

SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

The table below illustrates the most significant figures and economic and financial indicators recorded by the Division during the year 2011 and the three previous years:

KEY ECONOMIC DATA

(in millions of Euro)	*2008*	*2009*	*2010*	*2011*	*Change '11 vs '10*
Sales revenues	*521.9*	*368.0*	*461.6*	*547.7*	*18.6%*
EBITDA	*64.5*	*24.0*	*52.1*	*68.3*	*31.2%*
Operating result	*47.5*	*15.0*	*35.9*	*49.1*	*36.8%*
EBIT	*40.2*	*(0.1)*	*27.5*	*44.1*	*60.2%*
Net result	*18.7*	*(5.3)*	*13.7*	*20.8*	*52.2%*

KEY FINANCIAL DATA

(in millions of Euro)	*2008*	*2009*	*2010*	*2011*	*Change '11 vs '10*
Shareholders' equity	*134.1*	*120.4*	*139.1*	*137.2*	*-1.3%*
Net financial surplus (indebtedness)	*(89.8)*	*(63.0)*	*(46.9)*	*(48.4)*	*-3.1%*

OTHER INDICATORS

	2008	*2009*	*2010*	*2011*	*Change '11 vs '10*
Number of employees	*2,558*	*2,312*	*2,347*	*2,508*	*6.9%*

A breakdown of the two main sectors is provided below:

(in millions of Euro)	*CAR AND PRECISION SPRINGS*		*INDUSTRIAL VEHICLES*		*Interc. elimin.*	*TOTAL SUSPENSION COMPONENTS DIVISION*	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*%*
Sales revenues	*453.5*	*100.0*	*94.4*	*100.0*	*(0.2)*	*547.7*	*100.0*
Operating result	*28.5*	*6.3*	*20.6*	*21.8*	*-*	*49.1*	*9.0*
EBIT	*23.6*	*5.2*	*20.5*	*21.8*	*-*	*44.1*	*8.1*
Result before taxes	*28.4*	*6.3*	*20.5*	*21.7*	*(10.5)*	*38.4*	*7.0*
Net result	*17.8*	*3.9*	*13.5*	*14.3*	*(10.5)*	*20.8*	*3.8*
Net financial surplus (indebtedness)	*(65.3)*		*16.9*		*-*	*(48.4)*	
Shareholders' equity	*131.8*		*27.1*		*(21.7)*	*137.2*	
Number of employees at December 31	*2,178*		*330*		*-*	*2,508*	

The performance posted in 2011 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 COMPONENTS DIVISION EUROPE*		*SUSPENSION COMPONENTS DIVISION SOUTH AMERICA*		*Other entities*	*Interc. elimin.*	*TOTAL SUSPENSION COMPONENTS DIVISION*	
	Amount	*%*	*Amount*	*%*	*Amount*	*Amount*	*Amount*	*%*
Sales revenues	*414.9*	*100.0*	*122.6*	*100.0*	*12.0*	*(1.8)*	*547.7*	*100.0*
Operating result	*31.8*	*7.7*	*17.1*	*14.0*	*0.1*	*0.1*	*49.1*	*9.0*
EBIT	*28.7*	*6.9*	*15.3*	*12.5*	*0.2*	*(0.1)*	*44.1*	*8.1*
Result before taxes	*42.9*	*10.3*	*14.4*	*11.8*	*(0.2)*	*(18.7)*	*38.4*	*7.0*
Net result	*29.8*	*7.2*	*10.2*	*8.3*	*(0.4)*	*(18.8)*	*20.8*	*3.8*
Net financial surplus(indebtedness)	*(40.5)*		*5.4*		*(13.3)*	*-*	*(48.4)*	
Shareholders' equity	*155.1*		*45.7*		*12.3*	*(75.9)*	*137.2*	
Number of employees at December 31	*1,765*		*569*		*174*	*-*	*2,508*	

The Suspension Components Division recorded a very positive performance in 2011, as it fully benefited from growing volumes in both the car and industrial vehicles sectors during the first part of the year and compensated for the increased cost of steel by raising sales prices.

***Revenues** grew by 18.6% (+15.6% for light commercial vehicles and +35.7% for industrial vehicles), totalling Euro 547.7 million compared to 461.6 million in 2010.*

Profitability improved at all levels compared to the previous year, thanks to expanded activities in the high-profit market of industrial vehicles, a reduction in fixed costs and sales price adjustments to offset increased raw material cost.

*As of December 31, 2011, the Division recorded a **net financial indebtedness** of Euro 48.4 million, compared to the 46.9 million of the previous year and had 2,508 employees (2,347 at the end of December 2010).*

OUTLOOK FOR OPERATIONS

The year 2012 started with a recession scenario in Europe, the key market for the Group, and growth slowing down in other major markets such as Brazil and China. In spite of this, the Group expects revenues and results to grow in 2012 thanks – among other things – to the consolidation of Systèmes Moteurs' business throughout the year. Actually no increases in the prices of the most important raw materials are forecasted. Business operations will continue to focus on improving the flexibility of production facilities and cutting all cost factors to counter possible drops in business and revenues which cannot be foreseen at present.

***

Please note that the pro-forma figures reported above were unaudited.

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.

To facilitate comprehension, risk factors have been grouped on the basis of their origin into homogeneous risk categories, with distinction between those that arise outside the Group ***(external risks)*** *and those associated with the characteristics and structure of the organisation itself* ***(internal risks)****.*

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

With regard to ***risks relating to competitors****, the Group is one of the leading players in both the suspension components and filter sectors at a worldwide level, and benefits from a progressive consolidation of the market and the resulting gradual reduction in the number of competitors. In this scenario, the Group plays a major role in promoting market consolidation, as is evidenced by the recent acquisition of Systèmes Moteurs S.A.S. in air intake and engine cooling systems business, which permitted a strategic expansion of the Group's product line, ensured further penetration of the North American, Chinese and Indian markets and strengthened the Group's presence among European manufacturers.*
With regard to the suspension components sector, the Group benefits from objective barriers to the entry of new competitors, as this sector is structurally capital intensive and a wide technological and qualitative gap puts manufacturers in low-cost countries at a disadvantage.
Similarly, the technological and qualitative gap represents a barrier to the entry of new competitors in the original equipment filter sector as well, while in the spare filter sector, important barriers to entry are represented by the Group's exhaustive product range 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 risk****, 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).*
Credit risk *has significantly diminished in the independent aftermarket (IAM) thanks to the recent reorganisation of the sector, whereas the overall upturn in sales volumes on global markets has helped reduce the actually limited risk exposure with original equipment (OE) and original equipment spares (OES) customers.*

---

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

*As regards the **risks associated with supplier management**, mostly managed centrally by the Group, increased focus on multi-sourcing, especially from non-European suppliers and the ongoing search for alternate suppliers helps to reduce the **risk of being excessively dependent on key suppliers/single suppliers**.*
*It should be noted that this multi-sourcing approach, i.e. sourcing each raw material from multiple suppliers based in different world countries helps to reduce the **risk of changes in raw materials prices** mentioned earlier when discussing the management of **financial risk**.*

*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.*
Specifically, the Group's pipeline includes certain product/process innovations that are not available to key competitors, such as new elastic suspension components made from composite materials, a new oil cooling technology that uses aluminium foam and an innovative particulate emission control system.

*With regard to the **risks related to health, safety and the environment**, each subsidiary has its own internal function that manages HSE in accordance with local laws and in accordance with Sogefi Group's guidelines. More specifically, 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. Special emphasis is placed on monitoring the risk of accidents, which is a pillar of the plant operating approach "Kaizen Way" adopted at all production sites across the world and coordinated by a dedicated central management team at the Holding Company.*
In correlation with the environmental policy, 16 plants in the Engine Systems Division and 13 in the Suspension Components Division are currently certified as complying with the international standard ISO 14001. Within the Engine Systems Division, two companies have had their health and safety systems certified to the OHSAS 18001 standard. The activities carried out in the plants are audited by both experienced internal auditors and external auditors. Particular attention is paid to personnel training in order to consolidate and disseminate a safety culture.

*As regards **internal risks**, namely risks associated with internal activities and with the characteristics of the organisation itself, one of the major risks identified, monitored and actively managed by the Group is the **risk of product quality/complaints due to non conformity**: in this regard, it is worth drawing attention to the fact that the two divisions of the Sogefi Group consider ongoing quality improvement as 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, 18 plants in the Engine Systems Division and 17 in the Suspension Components Division are currently certified as complying with 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 product recall campaigns.*
One of the Group's future goals is to further enhance the quality monitoring system for supplied system components so as to further reduce non-conformities.

*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, qualitative 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 2011 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. A key project focus aimed at improving the quality standard of corporate ITC systems provides for the implementation of the "SAP" ERP system at all operations across the world, which is currently under way.*

OTHER INFORMATION

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 or with entities or individuals other than related parties that, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or have a significant impact on the Group's results, balance and financial position.

In 2010, in accordance with Consob Resolution no. 17221 of March 12, 2010 and subsequent amendments, the Company's Board of Directors appointed the Related Party Transactions Committee, establishing that the members are to be the same as those of the Internal Control Committee and approved the Discipline for related-party transactions, which had previously received a favourable opinion of the Internal Control Committee. The purpose of this Discipline is to establish the principles of conduct that the Company is bound to observe to guarantee the correct management of related-party transactions. This Discipline is available on the Company's website at www.sogefigroup.com, in the "Investor – Corporate Governance" section.

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 2011 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, 2011 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 be also available on the Company's website at www.sogefigroup.com, in the "Investor – Corporate Governance" section.

The Report also contains the information prescribed by art. 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, 2011, the Holding Company has 3,253,000 treasury shares in its portfolio, corresponding to 2.79% of capital, at an average price of Euro 2.36 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 ("Personal Data Protection Code"), the Company has formally complied with legal requirements by implementing the security measures foreseen by the legislator.
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 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, 2011, was approved by the Board of Directors on February 23, 2012.

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, 2011, 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 subsidiaries 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.
On April 18, 2000, the Company set up an Internal Control Committee and a Remuneration Committee that are fully made up by independent administrators.
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.

SIGNIFICANT SUBSEQUENT EVENTS

On April 19, 2011, the Shareholders' Meeting authorised the purchase of treasury shares and the Holding Company purchased 233,229 treasury shares at an average price of Euro 1.99 each after the end of year 2011.

PROPOSED ALLOCATION OF NET PROFIT FOR THE YEAR

The statutory financial statements as of December 31, 2011 that we submit for your approval show a net profit of Euro 10,485,958.76.
We would like to propose:

- *distributing a dividend per share of Euro 0.13 to each of the shares in issue with rights from January 1, 2011 (excluding the treasury shares in portfolio), using the net profit for the year of Euro 10,485,958.76 and taking the difference from "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 possible treasury share transactions and the possible issuance of new shares if the beneficiaries of current stock option plans exercise their options.

Milano, February 23, 2012

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 "Investments in joint ventures" 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", "Non-current 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, amortisation and writedowns", "Accrued costs for stock-based incentive plans", "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"), "Writedown of equity investments" ("Svalutazione partecipazioni"), "Depreciation and amortisation" ("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-based incentive plans" ("Accantonamenti costi per piani di incentivazione basati su azioni"), "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 of "Group net result" for the year under way to 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 under way and of the previous year).

ROI: is calculated as the ratio of "EBIT" relating to the year under way to 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 under way 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 restructuring operations, included in "Other non-operating expenses (income)".

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