

INTERIM FINANCIAL REPORT AS AT MARCH 31, 2011



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 60,569,179.84
MANTOVA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO POLICY GUIDANCE AND COORDINATION ON THE PART OF CIR S.p.A.
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REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS AS AT MARCH 31, 2011

The first quarter of 2011 confirmed the positive recovery in vehicle production levels, the first signs of which had been seen in 2010 in all the main world markets.

With regard to Europe, the weakness of domestic demand for vehicles was more than compensated for, in production terms, by strong growth in export of top-of-the-range models, particularly to Asian markets and mainly to the benefit of German manufacturers.

Weakness remains especially in the Italian and Spanish markets, which are having difficulty in recovering pre-crisis sales levels without incentives, with a consequent fall in production, especially of the national manufacturer.

In the American markets production volumes continue to grow both in the NAFTA area where the Group benefitted from the return to full levels of the Ford and Chrysler platforms which it supplies (revenues up by 126.7% compared to the same quarter 2010) and in the Mercosur countries where the level of demand remains particularly high, with Sogefi posting a rise in sales of 22.9% on the first quarter of last year.

Likewise, the positive trend in business has also been continuing in the Chinese (+27.3%) and Indian (+44.2%) markets.

A particularly favourable performance was recorded by the industrial vehicle sector, which consolidated the recovery that began in the second half of last year, with revenues rising by 43% compared to the first quarter 2010.

In this market context, the Group reported **consolidated revenues** of € 255.8 million, up by 19.6% compared to the first quarter of 2010. The greatest contribution to revenues was made by the *Suspension Components Division*, +28.4% (revenues of € 138.7 million), because it is mainly active in original equipment, while the *Filter Division* rose by 10.5% with revenues of € 117.8 million.

Despite a general rise in the prices of raw materials and components, which has so far been only partly transferred to selling prices, the Group's profitability improved thanks to greater volumes of business, to the benefits of the reorganization carried out in the previous year and to the efficiency recovered in the quarter with further action taken to reduce headcount, especially in the Filter Division and in the Italian market.

The **consolidated operating result**, which came in at € 17.9 million (7% of revenues), rose by 47.5% compared to the figure of 12.2 million (5.7% of revenues) for the same quarter of 2010.

Increases were also posted in EBITDA (earnings before interest, tax, depreciation and amortisation) and EBIT (earnings before interest and tax).

Consolidated EBITDA, despite the presence of restructuring costs of € 0.6 million, came to € 25 million (9.8% of revenues), and was up by 21.1% from the 20.6 million (9.6% of revenues) for the first quarter 2010. **Consolidated EBIT** rose to € 13.9 million (5.4% of revenues) from 9.5 million (4.5% of revenues) in the first quarter of last year (+45.7%).

The **result before taxes and non-controlling interests** rose to € 11.7 million (€ 7 million in the first quarter 2010), thanks to the reduction in financial expenses.

The **consolidated net income** figure for the quarter was € 6.7 million (2.6% of revenues), and was up by 76.6% compared to the 3.8 million (1.8% of revenues) of the same period of 2010.

As at March 31, 2011 **net financial debt** stood at € 166.6 million, substantially unchanged from 164.9 million as at December 31, 2010 despite the unfavourable seasonality of the first quarter of the year. The figure is significantly lower than the € 188.4 million reported as at March 31, 2010.

Total consolidated equity amounted to € 216.2 million as at March 31, 2011 compared to 190.5 million as at March 31, 2010 and 214.4 million as at December 31, 2010, in the presence of an unfavourable translation exchange effect.

Growth was also recorded in the **group's share of consolidated equity** which at quarter end stood at € 198.7 million compared to the 174.8 million reported twelve months earlier.

PERFORMANCE OF THE FILTER DIVISION

Activities in the Filter sector generated revenues of € 117.8 million, with increases of 4.1% in Europe, 16.5% in Mercosur, 160.2% in the NAFTA area and 22.2% in India.

The most important contribution to the improvement was provided by the original equipment sector (+24.3%). The aftermarket posted a progress of 3.4% in the independent sector and of 3.7% in the original equipment spare.

The **operating profit** remained stable at € 5.9 million (5% of revenues) compared to 5.8 million (5.4% of revenues) of the first quarter 2010.

In the presence of higher restructuring costs **EBITDA** came from € 9.1 million (8.5% of revenues) recorded in the first three months of last year to 8.5 million (7.2% of revenues).

Likewise **EBIT** came from € 4.4 million (4.2% of revenues) to 3.8 million (3.2% of revenues).

As at March 31, 2011, the Division's workforce (including temporary workers and excluding employees subject to forms of flexibility) was equal to 3,535 employees, recording a slight reduction compared to the 3,560 employees of twelve months earlier.

PERFORMANCE OF THE SUSPENSION COMPONENTS DIVISION

The Division generated revenues of € 138.7 million, recording a significant increase compared to the same quarter of 2010 (108 million), with a positive performance in all sectors: car, industrial vehicles and railway (+48.9%), precision springs (+15.4%).

The Division's results, in a market which has seen an increase in costs of the raw material steel, have posted a rise on the first three months of 2010.

Operating profit was equal to € 12.9 million (9.3% of revenues) compared to 7.5 million (7% of revenues) in the first quarter 2010, thanks also to the greater importance of activity in the more profitable industrial vehicle sector.

EBITDA stood at € 17.5 million (12.6% of revenues) and **EBIT** totalled 11.3 million (8.1% of sales), compared to the € 12.7 million (11.8% of revenues) and 6.4 million (5.9% of revenues) respectively recorded in the same period of 2010.

As at March 31, 2011 the workforce (as defined above for the Filter Division) totalled 2,756 employees compared to 2,503 employees as at March 31, 2010.

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

The Holding Company Sogefi S.p.A. recorded a loss of € 1.3 million, compared to a loss of € 1.6 million in the first quarter of 2010. The improved result is mainly due to the lower financial expenses recorded following the improvement in the financial position and the lower spreads applied to the loans compared to the same period of the previous year.

OUTLOOK FOR OPERATIONS

For the whole year it is expected to see a rise in revenues compared to the previous year.

Profitability should also be in progress for the entire year if the higher costs of raw materials and components will be passed on to selling prices.

In the second part of the year there will be further production reorganization in the filter business, which will generate higher costs than those recorded in the first quarter.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

ASSETS	03.31.2011	12.31.2010
CURRENT ASSETS		
Cash and cash equivalents	68.2	66.8
Other financial assets	0.3	0.2
<i>Working capital</i>		
Inventories	110.5	98.4
Trade receivables	156.9	138.8
Other receivables	5.5	10.2
Tax receivables	10.7	12.2
Other assets	4.0	2.5
TOTAL WORKING CAPITAL	287.6	262.1
TOTAL CURRENT ASSETS	356.1	329.1
NON-CURRENT ASSETS		
Fixed assets		
Land	14.3	14.4
Property, plant and equipment	202.1	208.4
Other tangible fixed assets	3.8	4.3
<i>Of wich: leases</i>	<i>13.3</i>	<i>13.8</i>
Intangible assets	133.2	133.5
TOTAL FIXED ASSETS	353.4	360.6
OTHER NON-CURRENT ASSETS		
Equity investments in associates	-	-
Other financial assets available for sale	0.4	0.4
Financial receivables	-	-
Other receivables	10.8	10.2
Deferred tax assets	38.0	38.3
TOTAL OTHER NON-CURRENT ASSETS	49.2	48.9
TOTAL NON-CURRENT ASSETS	402.6	409.5
NON-CURRENT ASSETS HELD FOR SALE	0.7	0.7
TOTAL ASSETS	759.4	739.3

LIABILITIES	03.31.2011	12.31.2010
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	46.5	35.9
Current portion of medium/long-term financial debts and other loans	44.6	42.8
<i>Of which: leases</i>	1.9	1.9
TOTAL SHORT-TERM FINANCIAL DEBTS	91.1	78.7
Other short-term liabilities for derivative financial instruments	0.2	0.2
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	91.3	78.9
Trade and other payables	226.1	210.0
Tax payables	6.7	6.3
Other current liabilities	2.8	2.1
TOTAL CURRENT LIABILITIES	326.9	297.3
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		
Financial debts to bank	133.0	141.4
Other medium/long-term financial debts	8.8	9.6
<i>Of which: leases</i>	6.5	7.2
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	141.8	151.0
Other medium/long term financial liabilities for derivative financial instruments	2.0	2.0
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	143.8	153.0
OTHER LONG-TERM LIABILITIES		
Long-term provisions	40.3	41.8
Other payables	0.2	0.4
Deferred tax liabilities	32.0	32.4
TOTAL OTHER LONG-TERM LIABILITIES	72.5	74.6
TOTAL NON-CURRENT LIABILITIES	216.3	227.6
SHAREHOLDERS' EQUITY		
Share capital	60.6	60.5
Reserves and retained earnings (accumulated losses)	131.4	117.9
Group net result for the period	6.7	18.8
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	198.7	197.2
Non-controlling interests	17.5	17.2
TOTAL SHAREHOLDERS' EQUITY	216.2	214.4
TOTAL LIABILITIES AND EQUITY	759.4	739.3

CONSOLIDATED INCOME STATEMENT FROM 01.01.2011 TO 03.31.2011

(in millions of Euro)

	Period		Period		Change	
	01.01 – 03.31.2011		01.01 – 03.31.2010		Amount	%
	Amount	%	Amount	%	Amount	%
Sales revenues	255.8	100.0	214.0	100.0	41.8	19.6
Variable cost of sales	174.7	68.3	143.0	66.8	31.7	22.2
CONTRIBUTION MARGIN	81.1	31.7	71.0	33.2	10.1	14.2
Manufacturing and R&D overheads	26.7	10.4	24.7	11.6	2.0	8.1
Depreciation and amortization	11.1	4.3	11.1	5.2	-	(0.1)
Distribution and sales fixed expenses	9.0	3.5	7.7	3.6	1.3	15.6
Administrative and general expenses	16.4	6.5	15.3	7.1	1.1	7.5
OPERATING RESULT	17.9	7.0	12.2	5.7	5.7	47.5
Restructuring costs	0.6	0.2	0.2	0.1	0.4	283.9
Losses (gains) on disposal	-	-	(0.1)	-	0.1	-
Exchange losses (gains)	0.9	0.4	(0.2)	(0.1)	1.1	-
Other non-operating expenses (income)	2.5	1.0	2.8	1.2	(0.3)	(10.0)
EBIT	13.9	5.4	9.5	4.5	4.4	45.7
Financial expenses (income), net	2.2	0.8	2.5	1.2	(0.3)	(13.5)
Losses (gains) from equity investments	-	-	-	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	11.7	4.6	7.0	3.3	4.7	67.1
Income taxes	4.4	1.7	2.9	1.3	1.5	53.0
NET RESULT BEFORE NON-CONTROLLING INTERESTS	7.3	2.9	4.1	2.0	3.2	76.9
Loss (income) attributable to non-controlling interests	(0.6)	(0.3)	(0.3)	(0.2)	(0.3)	(79.8)
GROUP NET RESULT	6.7	2.6	3.8	1.8	2.9	76.6

CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)

	03.31.2011	12.31.2010	03.31.2010
A. Cash	68.2	66.8	52.3
B. Other cash at bank and on hand	-	-	-
C. Financial instruments held for trading	-	-	-
D. Liquid funds (A) + (B) + (C)	68.2	66.8	52.3
E. Current financial receivables	0.3	0.2	-
F. Current payables to banks	(46.5)	(35.9)	(32.2)
G. Current portion of non-current indebtedness	(44.6)	(42.8)	(46.2)
H. Other current financial debts	(0.2)	(0.2)	(1.1)
I. Current financial indebtedness (F) + (G) + (H)	(91.3)	(78.9)	(79.5)
J. Current financial indebtedness, net (I) + (E) + (D)	(22.8)	(11.9)	(27.2)
K. Non-current payables to banks	(133.0)	(141.4)	(148.3)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(10.8)	(11.6)	(13.0)
N. Non-current financial indebtedness (K) + (L) + (M)	(143.8)	(153.0)	(161.3)
O. Net indebtedness (J) + (N)	(166.6)	(164.9)	(188.5)
Non-current financial receivables	-	-	0.1
Financial indebtedness, net including non-current financial receivables	(166.6)	(164.9)	(188.4)

CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)

	March 31, 2011	December 31, 2010	March 31, 2010
SELF-FINANCING	16.0	55.3	10.9
Change in net working capital	(10.0)	(15.4)	(23.0)
Other medium/long-term assets/liabilities	(0.1)	0.7	0.1
CASH FLOW GENERATED BY OPERATIONS	5.9	40.6	(12.0)
Sale of equity investments	-	0.1	-
Net decrease from sale of fixed assets	0.1	0.7	0.1
TOTAL SOURCES	6.0	41.4	(11.9)
Increase in intangible assets	3.1	11.7	2.5
Purchase of tangible assets	5.6	24.3	3.4
Purchase of equity investments	-	-	-
TOTAL APPLICATION OF FUNDS	8.7	36.0	5.9
Net financial position of subsidiaries purchased/sold during the period	-	-	-
Exchange differences on assets/liabilities and equity	0.9	0.7	(0.4)
FREE CASH FLOW	(1.8)	6.1	(18.2)
Holding Company increases in capital	0.1	0.3	-
Net purchase of treasury share	-	-	-
Increase 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)	-
CHANGES IN SHAREHOLDERS' EQUITY	0.1	(0.8)	-
Change in net financial position	(1.7)	5.3	(18.2)
Opening net financial position	(164.9)	(170.2)	(170.2)
CLOSING NET FINANCIAL POSITION	(166.6)	(164.9)	(188.4)

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

The consolidated interim financial report as at March 31, 2011, which has not been externally audited, has been prepared in compliance with International Accounting Standards (IAS/IFRS) and to this end, the financial statements of consolidated investee companies have been appropriately reclassified and adjusted.

The interim financial report has been drawn up in accordance with the provisions of art. 154 ter, paragraph 5 of Legislative Decree no. 58 of 02/24/98 (Consolidated Law on Finance) and subsequent amendments. Therefore, the provisions of the international accounting standard regarding interim financial information (IAS 34 "Interim financial reporting") have not been adopted.

2. CONSOLIDATION PRINCIPLES

Consolidation is performed on a line-by-line basis. The criteria adopted for the application of this method have not changed with respect to those used at December 31, 2010.

3. ACCOUNTING STANDARDS APPLIED

The accounting standards applied in the preparation of the financial statements as at March 31, 2011 are the same as those applied to the financial statements as at December 31, 2010.

COMMENTS ON THE FINANCIAL STATEMENTS

The change in Group's consolidated shareholders' equity and in total shareholders' equity in the first quarter of 2011 is as follows:

(in millions of Euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to non-controlling interests	Total Group and non-controlling shareholders' equity
Balance at December 31, 2010	197.2	17.2	214.4
Paid share capital increase	0.1	-	0.1
Dividends	-	-	-
Currency translation differences differences and other changes	(5.3)	(0.3)	(5.6)
Net result for the period	6.7	0.6	7.3
Balance at March 31, 2011	198.7	17.5	216.2

Revenues from sales amounted to € 255.8 million compared to 214 million in the same period of 2010.

The breakdown of revenues by business area is as follows:

(in millions of Euro)	Period 01.01 – 03.31.2011		Period 01.01 – 03.31.2010		Change	
	Amount	%	Amount	%	Amount	%
Filter	117.8	46.0	106.6	49.8	11.2	10.5
Suspension components	138.7	54.2	108.0	50.5	30.7	28.4
Intercompany eliminations	(0.7)	(0.2)	(0.6)	(0.3)	(0.1)	(7.6)
TOTAL	255.8	100.0	214.0	100.0	41.8	19.6

The breakdown of revenues by geographic area is shown in the table below:

(in millions of Euro)	Period 01.01 – 03.31.2011		Period 01.01 – 03.31.2010		Change	
	Amount	%	Amount	%	Amount	%
France	61.1	23.9	50.7	23.7	10.4	20.5
Germany	33.4	13.1	28.3	13.2	5.1	18.0
Great Britain	23.3	9.1	19.2	9.0	4.1	21.1
Italy	18.0	7.0	17.2	8.1	0.8	4.6
Benelux	14.3	5.6	11.1	5.2	3.2	28.3
Spain	10.5	4.1	9.1	4.3	1.4	15.5
Russia	1.2	0.5	0.5	0.2	0.7	131.2
Other European Countries	22.7	8.8	23.2	10.8	(0.5)	(1.6)
Mercosur	55.9	21.9	45.5	21.3	10.4	22.9
United States	7.0	2.8	2.9	1.3	4.1	145.3
China	3.9	1.5	3.0	1.4	0.9	27.3
India	2.9	1.1	2.0	0.9	0.9	44.2
Rest of the World	1.6	0.6	1.3	0.6	0.3	26.3
TOTAL	255.8	100.0	214.0	100.0	41.8	19.6

As at March 31, 2011, the Group's workforce was 5,646, compared to 5,574 as at December 31, 2010 and 5,758 as at March 31, 2010, broken down as follows:

	03.31.2011	12.31.2010	03.31.2010
Managers	88	87	87
Clerical staff	1,313	1,304	1,328
Blue collar workers	4,245	4,183	4,343
TOTAL	5,646	5,574	5,758

Milano, April 19, 2011

THE BOARD OF DIRECTORS

**DECLARATION PURSUANT TO ART. 154-BIS, PARAGRAPH 2,
LEGISLATIVE DECREE No. 58/1998**

Subject: Interim financial report as at March 31, 2011

The undersigned, Mr. Giancarlo Coppa - Manager responsible for preparing the Company's financial reports -

declares

pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance that the accounting information contained in this document corresponds to the document results, books and accounting records.

Milano, April 19, 2011

SOGEFI S.p.A.
(Giancarlo Coppa)