

2012 ANNUAL REPORT

2012

**“NOTHING WILL EVER BE ATTEMPTED IF
ALL POSSIBLE OBJECTIONS MUST
FIRST BE OVERCOME.”**

Samuel Johnson



| SUMMARY



- 04 Message from the President
- 06 Corporate mission & values
- 08 Board of Directors & Auditors
- 09 Corporate Governance
- 10 2012 Financial Highlights
- 12 Research & Innovation
- 16 Quality, Environment, Health & Safety
- 18 Corporate Citizenship
- 20 MRI Group overview & organization



- 24 Fluiconnecto by Manuli



- 26 Manuli Hydraulics
- 28 Oil & Marine Division
- 30 2012 Financial Statements

MESSAGE from the PRESIDENT

The year we just left behind us brought with it many disappointments. On the general economic front the EU's timid economic recovery, which started in 2010 and peaked in 2011, went decisively into reverse in the middle of 2012, generating a feeling of déjà-vu which has lingered into the early months of the current year. Unlike the last crisis, or should we say unlike the early years of the ongoing crisis, when Asia's exuberant growth pulled the rest of the world momentarily out of the recession, this time the rest of the world has also been plagued by either anemic growth or outright stagnation, with few bright spots.

Under these circumstances Manuli Rubber Industries' performance has also suffered and, frankly put, management has been far from satisfied by the financial performance, which can be summarized as follows: Sales decreased by 1.7% vs. the previous year to €314.7 millions, with EBITDA of €45 millions (14.3% of sales), both were lower than our targets albeit being positive overall. In essence we underestimated the size and speed of the contraction in demand, which hit both Europe and the global OEM markets particularly during the last quarter. Having said this, a cold look at the numbers clearly shows that MRI continues to be a strong and financially sound company.

While macroeconomic events will always be beyond our control, our company has planted the seeds of growth in more than one way. Among the many initiatives that are under development three stand out in particular:

- The recent completion by Manuli Hydraulics of a new hose manufacturing plant in Poland, including the rubber mixing facilities. This unit will play a key role in supplying markets from northern Europe to central Asia with reduced lead times and competitive costs
- The development of a new innovative rotary drilling hose range, called Goldendrill, which has been approved by API (American Petroleum Institute) as certified by the API Monogram License 7K. While we are a new player in this market segment we are confident that, given time, we will build a reputation for superior performance and service
- The push into African markets by the Fluiconnecto division, through the acquisition of the majority of the shares in two leading local players, Fluid Systems in Botswana and Hyspec Mining Services. The latter operates in no less than eight African countries, bringing to ten the number of countries in Africa where Fluiconnecto is now firmly established.

It is worth noting that the cost of the above mentioned acquisitions is fully reflected in our Balance Sheet, on the contrary the P&L figures do not incorporate yet the figures of Hyspec Mining Services. Nevertheless, despite this negative effect, all our 2012 financial ratios have shown a solid position.

It is no wonder that the increased global reach of our company has brought with it new and more complex challenges on the management side, to which our company's team has generally responded quite well. Nowadays most of the management teams operate through divisional headquarters based in Poland, China and the UK for Manuli Hydraulics and in the Netherlands for Fluiconnecto.

Looking forward, while we do believe that the future is bright, in the short term we will face the headwinds of a European crisis which, in our humble opinion and contrary to politicians' assertions, will not show significant improvements in the months to come. MRI has worked consistently in the recent past to diversify its geographical presence, both in terms of operations and of sales. This factor and our management's experience should allow us to navigate this crisis reasonably well.



Dardanio Manuli
Chairman and Chief
Executive Officer



CORPORATE MISSION & VALUES



CORPORATE MISSION

Manuli Rubber Industries (MRI), established in 1935, is a multinational corporation with two distinct global organizations:

- **MANULI HYDRAULICS**, focused on achieving excellence in the design, manufacture and sale of machines and fluid conveying rubber/metal components for high pressure hydraulics and oil & marine applications.
- **FLUICONNECTO BY MANULI**, is a leading international service organization, focused on high pressure fluid connectors, providing products and application knowledge, as well as maintenance services, to all market segments through a global network tailored to local conditions.

Manuli Rubber Industries is committed to deliver sustainable value to its stakeholders, through excellence in innovation, quality and service.



CORPORATE VALUES

Manuli rubber industries' basic values are expressed in five guiding principles



CUSTOMER CENTRALITY

The Customer is at the center of all our improvement targets; consequently, the attitude and behaviour of each and every member of our staff must lead to its attainment.

TOTAL QUALITY

The total quality of the Company's processes is an essential virtue steadily pursued. This value is the driving force for the whole company's relationships with the external context and the market.

SUSTAINABLE VALUE

The Group pursues sustainable development through the creation of wealth, which must be environmentally compatible.

BUSINESS ETHICS

Actions and behaviours are inspired by ethics and morally-based criteria, adopting a policy based on open and 'transparent' information and communication channels.

HUMAN RESOURCES CENTRALITY

Knowledge, skills, competences of personnel at the different levels of hierarchy and responsibility, represent the fundamental strategic lever for the achievement of business development and profit objectives. Therefore, investing on human resources is a strategic business priority.

BOARD of DIRECTORS & AUDITORS

BOARD OF DIRECTORS

In office for the three-year period

2011-2013

Dardanio Manuli	Chairman & CEO
Mario Manuli	Managing Director
Matteo Marchisio	Managing Director
Roberto Maria Cagnazzo	Director
Luca Coccioli	Director
Maurizio Cossalter	Director
Sergio Erede	Director
Alessandra Manuli	Director
Antonella Manuli	Director
Antonello Manuli	Director
Sandro Manuli	Director
Stefano Meloni	Director
Guido Tarizzo	Director

BOARD OF STATUTORY AUDITORS

In office for the three-year period

2011-2013

Carlo Ticozzi Valerio	Chairman
Giovanni Borgini	Auditor
Nicolino Cavalluzzo	Auditor
Giorgio Ferrante	Auditor
Tiziana Stracquadanio	Auditor

BOARD OF INDEPENDENT AUDITORS

In office for the three-year period

2012-2014

CORPORATE GOVERNANCE

In accordance with its mission, Manuli Rubber Industries applies a Corporate Governance model with the aim of enhancing corporate accountability together with value creation for its shareholders.

The model states roles, duties and competencies of each organizational structure of the Group, as well as compensation systems, procedures and policies for the internal auditing and all employees, designed to reduce inefficiencies and to monitor the conduct of the management and the Group. While accomplishing the most developed and stringent Corporate Governance standards, the Group has implemented an updated Code of Ethical Conduct.

The Code defines clearly and unambiguously the whole value the MRI Group recognizes, accepts and shares both within and outside the Group. The Code's main objective is to instill correctness, equity, integrity, loyalty and professional rigor into operations, conduct and relationships inside and outside the Group while focusing on legal compliance and regulations within the countries where the Group is active and with Corporate procedures and policies, as issued on specific matters.

This ethical approach is a prerequisite for consolidating the Group's credibility, transforming the knowledge and the application of the Group's code of conduct into a competitive edge.

Updated documents are available through the pages of www.manulirubber.com **web site**.



2012 FINANCIAL HIGHLIGHTS

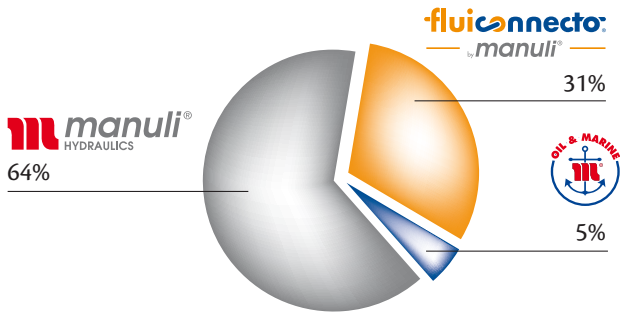
CONSOLIDATED GROUP FIGURES

Millions of Euros

	2009	2010	2011	2012
NET SALES	203.9	269.4	320.1	314.7
Growth rate %	-35.7%	+32%	+19%	-2%
EBITDA	17.5	48.4	53.9	45.0
% on net sales	8.6%	18%	17%	14%
EBIT	(13.3)	29.7	30.9	21.9
% on net sales (ROS)	-6.5%	11%	10%	7%
Net Result	(18.4)	20.2	18.8	8.7
% on net sales	-9.0%	7.5%	+6%	+3%
Cash flow (self financing)	10.9	39.7	43.2	31.7
Net capital employed	186.1	200.5	214.3	237.3
Net financial position	(101.7)	(90.9)	(94.6)	(112.8)
Group Shareholders' equity	83.8	108.6	118.9	123.7
Average workforce (employees + temporary workers)	2,155	2,324	2,588	2,651
Capital expenditure	6.6	11.9	18.1	12.8

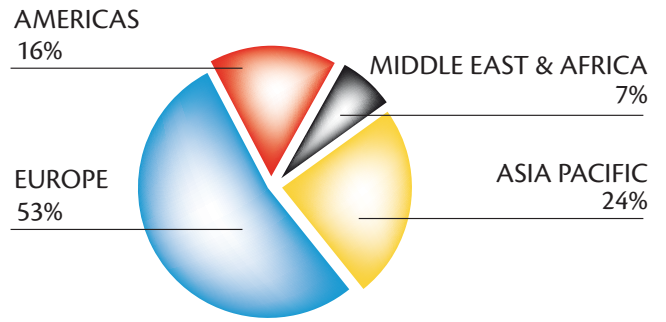
2012 NET SALES

By business area, in percentage



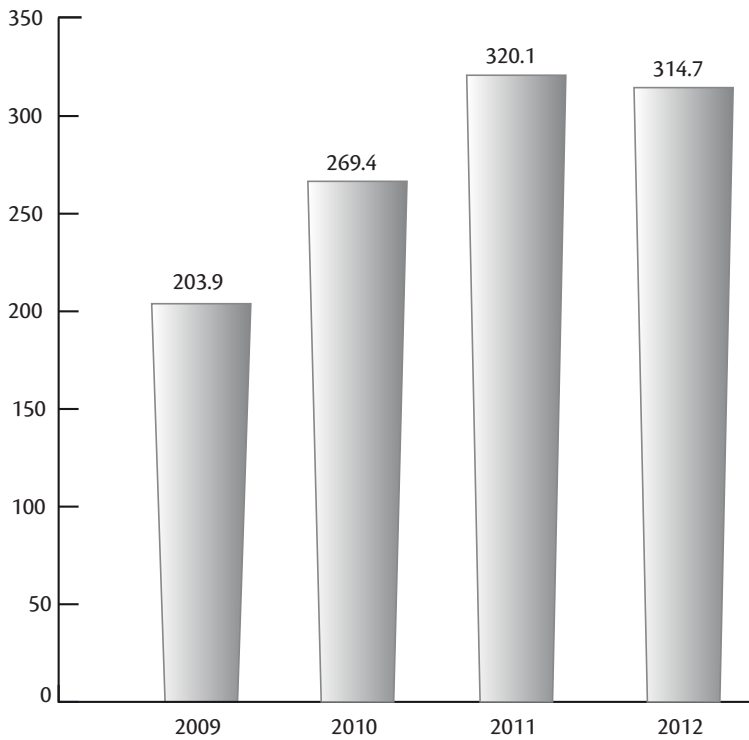
2012 NET SALES

By geographical area, in percentage



NET SALES TREND

Millions of Euros



RESEARCH & INNOVATION



**“EXCELLENCE IS ATTAINABLE ONLY
WITH THE UTMOST PASSION”**

Aldo Occari



Technological and product innovation is the result of an intense research activity conducted by a team of highly skilled international engineers of the Innovation Centres located in:

- Italy
- France
- Poland
- China
- India

These facilities are equipped with advanced test and laboratory equipment, focused on developing high technological and integrated solutions for our customers.

A FULL YEAR COMMITMENT TO INNOVATE AND ACHIEVE A SUSTAINABLE HYDRAULICS

Hydraulics is encountering a transformational phase towards new functional targets, with higher sensibility to performance, costs, simplicity of power management and energy savings. The following aspects are the most significant trends in the sector:

- more energy efficiency, involving power losses reduction and control
- power increase, involving higher stresses and constraints in all hydraulic components
- compactness and lightness, in favour of an increase of power density
- easy to use hydraulic systems and components
- need of durability and safety improvement
- specific comfort and ergonomics features in the equipment design
- growing environmental constraints, including new rules for end-of-life management of off road machinery, along with recyclability

During 2012 Manuli Hydraulics was fully committed to achieve a specific Innovation program, which has been undertaken to support and anticipate the mentioned technological change.

One of the first results of the product development activity was the enlargement of the existing Goldenso hose and fittings program with additional sizes, both smaller and larger ones. Thanks to the performance and the completeness of the program, the new product range was adopted by major OEMs for the design of new machines platforms. Manuli Hydraulic had thus successfully completed additional product approvals and field tests according to the customers' specifications.

The so called “extra large” vision had led also to a new product line named “XXL hoses & connectors”, whose performance was released to fulfil all large bore and high pressure applications requirements.

THE XXL PROGRAM IS THE MOST COMPLETE IN THE SECTOR AND INCLUDES TWO ABSOLUTE INNOVATIONS:

- a revolutionary unique 3" hose with 350 bar (6000 psi) pressure rating, where Manuli Hydraulics confirms its technological leadership being the first in realising such performance, while major competition is still struggling in making 2 ½", that Manuli launched more than 10 years ago
- an innovative 4" spiral hose for high robustness against severe hose handling and routing in medium pressure lines.



In line with the company strategy, the hose program is currently fully integrated by an offer of fittings, both Xtraflanges and the new compact FlushFit staple-lock line, that are suitable to be successfully adopted in any application requiring a fast, easy, safe connection of hose lengths to make long flexible conduits.

In order to better support the application of both hose programs in distribution markets, a new no-skive fitting line, was designed and approved for most spiral hose. The new line, SPIRALFIT, available from ¾" to 4" in the most used termination ends, joined and complemented the historical MULTIFIT line and currently offers an easy choice. Furthermore the new line allows the application of the "no-skive" crimping operation for the whole Manuli Hydraulic hose range.



On the front of connectors, the wide range of fitting termination ends was totally enhanced with significant performance improvement and upgrade.

The new JIC KR (the acronym stands for "Kompact and Robust") released in 2012, improves dramatically the cracking resistance to overtorque, making the tightening operation more reliable and safer in case of assembly with poor control of working procedures. ORFS and BSP were upgraded to higher working and burst pressures.

New targets of corrosion resistance are more and more requested in various applications, road transportation in particular. Manuli Hydraulics developed a new Zn-Ni plating technology able to guarantee more than 720 hours of resistance before red corrosion. It is significantly important to underline that this performance applies to crimped fittings and thus improves by more than 100% the one of traditional plating.



The Innovation activity focused its effort also on the well-known traditional hose lines, which were supported by an intensive action plan of technical and technological actions, in order to increase their production consistency, field quality and application fitness for use.

In particular, the widely used Tractor lines were upgraded with a new flame resistant cover, MHSA (Mining) approved, still keeping the halogen free performance. This led to a further innovation by Manuli Hydraulics, since the use of Chlorine (the first element in the halogen list) is the standard technology to get flame resistance in rubber compounds. A new hose designation (Tractor/1SN, 2SN, 1SC, 2SC) in line with the current international specifications helps assemblers and users to identify the new hose from the previous one.

During 2012 a significant new line was released within the refrigeration product range, which was enhanced by a revolutionary product line: the **Ultrastar**.

ULTRA  STAR

Thanks to the advanced nano-technology concept, which was applied in the materials' design, the new product offers the low permeation rate of barrier hoses without the traditional plastic layer in the rubber tube, thus keeping the flexibility and simplicity of a rubber-made hose. The advantages for end users are related to the higher efficiency and durability on the refrigeration system, with a relevant reduction of the cost of Freon refills. Furthermore on the front of assemblers, the benefits consist of a fully interchangeability of the new hose with the previous one (Refristar), including the use of the same fittings and crimping.

Finally worthy of mention in 2012, Manuli hydraulics continued the development of the well-known and appreciated QSafe couplings range. Two major innovations were released:

Q.Safe
Quick Couplings

1 - MQS SH, a new screw type line with very high pressure rating (700 bar) and unique performance in the sector, ideal for harsh applications such as hydraulic hammers, demolition tools, crushers, grabs, etc.

2 - MQS ARB, an innovative line for high tech agricultural machines, offering a unique combination of unmatched performance (high pressure rating: 300 bar - high flow rate: 210 l/min - low pressure drops: 2 bar at 80 l/min)

QUALITY, ENVIRONMENT HEALTH & SAFETY

Customer orientation, constant investments in Technology and Innovation and a strong integration among design & development, process engineering, quality, training and product realization are our long term quality strategy for performance, durability and safety of our products.

QUALITY

Quality is the driving force for all Group activities. MRI Corporation was the **first European hydraulic components manufacturer** to achieve in 1992 the **ISO 9001 certification**. All manufacturing plants are currently ISO 9001 certified.

The Group is currently under the process to **achieve** the API Q1 quality **approval** of its manufacturing facilities in **China, Poland and Italy**.

During the second half of 2012, the approval was obtained by both Manuli Hydraulics Suzhou and the Italian Oil & Marine plants.

API (American Petroleum Institute) is the leading trade association for the oil and gas industry, whose specifications are recognised internationally.

API SPEC 7K FOR "DRILLING HOSES & ASSEMBLIES"



ENVIRONMENTAL POLICY

The environment is integral to Manuli's mission of providing safe, reliable and efficient solutions for a sustainable fluid power. In compliance with ISO 14001 regulation, the MRI Corporation pursues the goal to develop the offer through the engineering of products and operational methods with low impact on the environment and people's health in their everyday life.



On a manufacturing point of view, the Environmental policy extended and renewed ISO 14001 Certificates for all the following plants in China, Czech Republic, India, Italy, Poland, South Korea and the UK:

- Manuli Rubber Industries** – Italy - Hydraulic Hoses
- Manuli Rubber Industries** – Italy - Oil & Marine Hoses
- Manuli Hydraulics (Suzhou)** – P.R.C. - Hydraulic Hoses
- Manuli Hydraulics (Suzhou)** – P.R.C. - Hose assemblies
- Manuli Hydraulics Polska** – Poland - Hydraulic Connectors, Refri & A/C systems
- Manuli Hydraulics UK** – United Kingdom - Hose assemblies
- Manuli Hydraulics Europe** – Czech Rep. - Hose assemblies
- Manuli Hydraulics Korea** – Korea - Hose assemblies
- Manuli Hydraulics India** – India - Hose assemblies

ECO-FRIENDLY PRODUCTS

- Wire spiral reinforced hose range for biological and mineral oils compatibility
- Tractor hose range update with new Chlorine free Fire resistant cover compound for underground Mines
- Ultrastar hose range with HFO1234y, the refrigerant gas designed to reduce the climate impact of air conditioning
- Cr3+ zinc plating treatment

HEALTH & SAFETY POLICY

MRI Corporation is committed to being a Group with a strong commitment in safeguarding the health and safety of its employees. First company in the hydraulic sector to achieve the OHSAS certificate in 2005, Manuli has progressively introduced the achievement of this Certificate to some important manufacturing facility:

- Manuli Hydraulics (Suzhou)** – PRC, Hydraulic Hoses
- Manuli Hydraulics (Suzhou)** – PRC, Hose assemblies
- Fluiconnecto by Manuli** – South Africa



CORPORATE CITIZENSHIP



Manuli Rubber Industries has always expressed an interest in the social-service sector and has been active mainly through the support of selected non-profit organizations committed to valuable initiatives in the cultural and human health fields.

SINCE MANY YEARS THE GROUP HAS BEEN FOCUSED ON:

1. the Manuli Foundation - Onlus, a non-profit organization, established in 1992 based on the desire of the Manuli Rubber Industries Founder, Engineer Dardanio Manuli, to give support to families affected by Alzheimer's disease. In order to adequately respond to the local geographic area's needs in this vitally important field, the Manuli Foundation has since 1994 made available more than

250,000 hours of free assistance at home, through the use of professional volunteers and geriatrically specialized workers.

www.fondazione-manuli.org



2. During the course of 2012, Manuli Rubber Industries continued to contribute to the not-for-profit trust FAI - Fondo per l'Ambiente Italiano (Italian National Trust), set up in 1975 and has since gone on to save, restore and open to the public numerous fine examples of Italy's artistic and natural heritage.

It is aimed at promoting a tangible culture of respect for Italy's natural heritage, art, history and traditions. On the other, it is

focused to protect a legacy that forms a fundamental part of the roots and identity of the Italian people.

www.fondoambiente.it



3. In the most-specialized field of research, Manuli Rubber Industries has dedicated its support to the IEO - European Institute of Oncology - established in 1987 with the aim of creating a "comprehensive cancer centre" with research laboratories and clinical services.

with specific disease sectors. Conceived by Professor Umberto Veronesi, it fully integrates three core activity areas involved in the fight against cancer:

- Clinical work
- Research
- Training

The IEO is one of Italy's 44 research hospital and treatment centres dealing

www.ieo.it



4. Fluiconnecto by Manuli ZA supported a home for women and children as part of our corporate citizenship.

security, education, a place of safety, a stimulating, empowering, nurturing and uplifting environment for both children and mothers on a larger scale.

"COMPASS" is based a few kilometres from the Fluiconnecto Head Office in Edenvale, Gauteng. Thanks to 3 housing facilities, mothers and children receive shelter and assistance.

With Fluiconnecto support, the "Compass" homes plan to create and provide food,

www.compass.org.za



MRI GROUP OVERVIEW



MANULI HYDRAULICS

Brazil 

Canada & USA 

Mexico 

China, France, Germany, India, Italy, Mexico,
Poland, Russia, Singapore, South Korea, Spain, UK, USA



**MANULI RUBBER INDUSTRIES IS A
GLOBAL ORGANIZATION COMMITTED
TO DELIVER EXCELLENCE IN
INNOVATION, QUALITY AND SERVICE.**



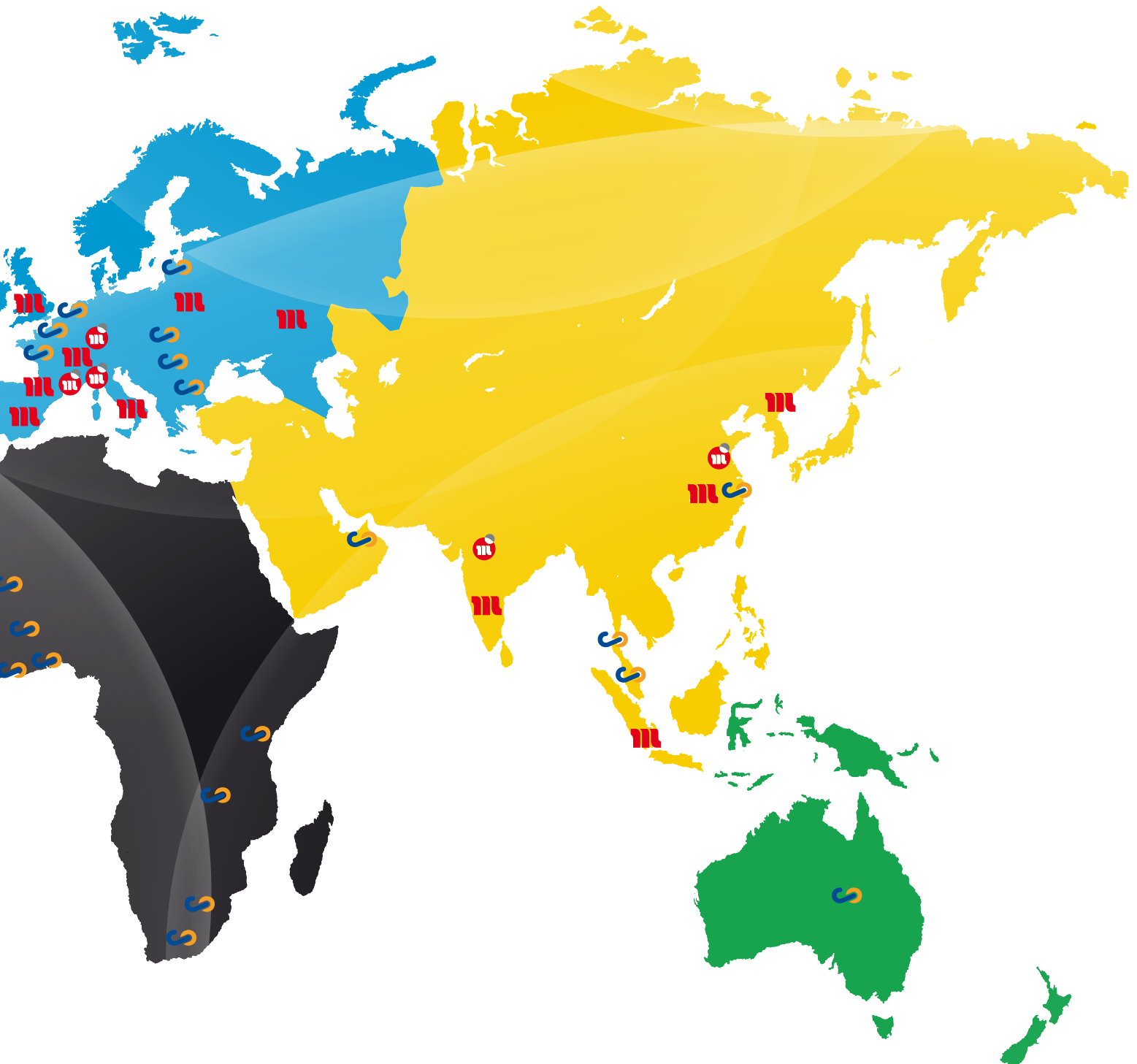
FLUICONNECTO BY MANULI

Argentina, Australia, Belgium, Botswana, Burkina Faso, China, Czech Republic, France, Ghana, Guinea, Hungary, Indonesia, Ivory Coast, Lithuania, Mali, the Netherlands, Poland, Sierra Leone, Singapore, South Africa, Tanzania, United Arab Emirates, Zambia.



RESEARCH & INNOVATION

China, France, India, Italy, Poland



MRI GROUP ORGANIZATION



OIL & MARINE PRODUCTS

- Design and project management of marine systems for conveying fluids
- Dock hoses
- Double carcass floating and sub sea hoses for oil suction and discharge
- “Free Flex” Helix free floating and sub sea hoses for oil suction and discharge
- Long-length (up to 300 m.) elastomeric conduit for use as flowline and dynamic risers for both civilian and military customers
- LPG (Liquefied Petroleum Gas) hoses
- Single carcass floating and sub sea hoses for oil suction and discharge

APPLICATIONS

Hose systems for:

- Buoys
- Off shore oil rigs
- Pipeline terminals
- Ship to shore

FACILITIES

- One manufacturing plant and commercial office in Italy



HYDRAULICS & REFRIGERATION

APPLICATIONS

- Hydraulic systems for industrial machinery
- Hydraulic systems for off-highway vehicles
- Hydraulic systems for underground mining equipment

- Mobile refrigeration systems and air conditioning systems for off-highway vehicles
- Rotary systems for drilling platforms

PRODUCTS

- Assembling machines
- Hydraulic systems for drilling industry
- Hose assemblies and hose kits for mobile refrigeration
- Hose assemblies for high and very high pressure
- Hose assemblies for water cleaning & water blasting applications
- Hose fittings
- Other fluid connectors
- Quick couplings
- Rotary hoses for drilling rigs
- Staple-lock adaptors and fittings
- Textile braid reinforced rubber hoses
- Wire braid reinforced rubber hoses

FACILITIES

MANUFACTURING FACILITIES

- Assembling machines: France
- Assembling units: China, Czech Republic, France, India, South Korea, United Kingdom
- Connectors: Poland
- Hoses: China, Italy & Poland
- OEM Alliance Partner facilities: Americas

GLOBAL SALES NETWORK

The Wholesale market is served by the sales & support dedicated network throughout 4 continents

FLUICONNECTO

MARKETS

- Agriculture
- Construction & public works
- Forestry
- Industrial, cleaning & maintenance services
- Material handling & logistics
- Mining: open pit & underground
- Naval & shipyards
- Oil, gas & energy

KEY STRENGTHS

- Certified products
- Hose management
- HSEQ compliance
- Immediate product availability
- Large product offering
- Market tailored solution providing
- Problem solving
- Service providing

INTERNATIONAL NETWORK

- 23 countries
- 24/7 services availability operated by a fleet of more than 40 Service vans
- Presence at our customers' doorstep through 85 Workshops-On-Site
- Over 135 Service Points in Europe, Africa & the Middle East, Asia - Pacific and South Africa.

PRODUCTS & SERVICES

- Accessories
- Adaptors
- Assembling machines
- Bite-ring fittings
- High pressure hydraulic hoses & assemblies
- High pressure water hoses & assemblies
- Hose fittings
- Maintenance services
- Off-site maintenance
- On-site maintenance
- Pipes & clamps
- Pressure gauges
- Protection & safety accessories
- Quick release couplings
- Refrigeration connectors
- Refrigeration hoses & assemblies
- Sealing products
- Staple lock fittings

FLUICONNECTO by MANULI



MISSION

FLUICONNECTO BY MANULI, is a leading international service organization, focused on high pressure fluid connectors, providing products and application knowledge, as well as maintenance services, to all market segments through a global network tailored to local conditions.



OVERVIEW

Despite the poor market conditions in Europe, which in 2012 still represented the bulk of Fluiconnecto's activity, sales grew by over 7% compared to the previous year. While this performance was helped by acquisitions, it is worth mentioning that "like for like" sales also showed positive growth and that 2012 sales from the largest of the acquisitions – i.e. Hyspec Mining Services – has not been included in the above figures. This performance has been made possible by the successful implementation of a strategy aimed at constantly broadening the range of both products and services offered to the market, while remaining focused on the high pressure know-how which characterizes our history as a leading hydraulics company.

These products and services are provided to customers from all economic sectors through a network which is quickly growing beyond its original European foundation. While it has only been four years since the establishment of Fluiconnecto's first non European venture, the company is now also firmly established in Asia, the Middle East and Africa. This remarkable achievement has resulted in a diversified network of more than 250 Service Points, On-site-Workshops and Service-on-site Vans, which are ideally suited to serve the industries based in their proximity, covering the whole spectrum of their high pressure needs. Specific application knowledge and local stocks are providing customers with the highest level of service in such different fields as construction, mining, manufacturing, logistics, agriculture, oil & gas and many others. During the course of 2012 our geographical presence has grown to include such new countries as Botswana, Burkina Faso, Ghana, Guinea, Mali, Sierra Leone, Tanzania and Zambia. The network in previously existing countries was also expanded to include both new Service Points and new Service-on-site Vans.

In order to properly manage the ever expanding scope of the operations, an investment program is under way, with the aim of unifying the IT systems across all countries. This project will take several years to be completed but it is already proving beneficial at this stage.

MANULI HYDRAULICS



MISSION



Manuli Hydraulics is active in the **design, manufacture** and sale of a wide range of hoses, connectors and machines for conveying power in high/very high pressure **hydraulic** circuits and fluids in **refrigeration units**.

The solutions offered by Manuli Hydraulics are:

- Hydraulic hose & connectors for off highway, agricultural & material handling equipment vehicles
- Hydraulic hose & connectors for industrial machinery
- Hydraulic hose & connectors for underground mining equipment
- Hose & connectors for offshore drilling applications
- Air conditioning systems for off-highway vehicles and mobile refrigeration

2012 FACTS & FIGURES

During 2012, the net sales of Manuli Hydraulics Division (including sales to Fluiconnecto) totalled €226.8 million, -4.7% lower than the previous year (€238.1 million). This result was achieved despite a severe contraction of OEM activity during the last quarter.

Nevertheless activities during the year culminated in innovative new solutions focussed on markets with growth potential, in particular North America (a new range of no-skive connectors), mining/oil&gas applications (extra-large bore hoses, hoses and connectors for drilling) and mobile refrigeration (innovative hoses with low permeability achieved using nanotechnology materials). At the same time substantial investments in testing machines were made to support development initiatives.

The Manuli principle of integrated and innovative products reached a new high during the year, with keen focus on providing real solutions to the markets and adding value for the key clients of our traditional Wholesales and Original Equipment Manufacturers (OEM's) markets. The integrated product concept achieved additional validation by the renewing and updating of long term Supply and Technical Cooperation agreements.



Additionally the focus on value added applications was reaffirmed by the release of new and innovative solutions aimed at serving new customers in the fields of drilling, off-highway air conditioning & refrigeration and mining.



The Drilling Division finalised a comprehensive complete range of products for both the Onshore & Offshore markets. These new products will be progressively rolled out to both new and prospective clients throughout 2013. Key focus will be on ensuring the necessary approvals and accreditations from launch.



2013 INNOVATION



The Refrigeration Division launched UltraStar a new innovative hose line that offers greatly improved permeability combined with improved overall performance in application. Additionally at the end of 2012 the Refrigeration Division moved into a large new dedicated operational facility with a focus on improving customer service, reliability and technical support.

The launch of the 'Extreme' XXL large bore hose & connectors range offers a unique solution to high power / high efficiency demands from clients operating or assembling large equipment for activities such as mining, dredging & offshore.

The completion of a No-Skive connector product range with particular focus on the USA market. This range includes an innovative wire spiral no skive coupling solution 'Spiralfit', complemented by an updated wire braid one piece no skive solution. This range will be progressively rolled out throughout 2013.

In the traditional Wholesales and OEM markets sales volumes were relatively stable in the first half of the year with demand weakening towards year end. Nevertheless particularly relevant is the growing acceptance of the integrated product range concept in emerging markets even in challenging market conditions. This weakening of volumes was evident across the majority of OEM clients world-wide with challenging conditions even in emerging economics.

Last but not least, on an operational point of view, during 2012 the Group finalised the new operations of Manuli Hydraulics Manufacturing Sp.zo.o, the hose manufacturing plant based in Poland, in the industrial area of Radomsko. In an area of about 100,000 sqm, the new plant led to an increased production capacity through advanced manufacturing technology.

OIL & MARINE DIVISION





The OIL & MARINE division **designs, manufactures** and sells **floating & subsea marine hoses** and **elastomeric pipelines** for commercial and military use.

2012 FACTS & FIGURES

In 2012, the net sales of the Oil & Marine division totalled €14.4 million, 9,4% lower than in 2011 (-€1.5 million).

The trend of the sales is significantly impacted by project tenders and products are supplied to highly specialised customers on a global base. The markets served by the division are both the original installation and maintenance repair customers.



Following the development undertaken in the previous period for the release of the POSEIDON single carcass 600mm (24") Hose line, 2012 saw the Group release to the market a further range extension, adding the POSEIDON DASH Double Carcass 600mm (24") Hose, which has met or exceeded all the static and dynamic tests requested by GMPHOM 2009 with very positive results.



Additionally the manufacturing plant based in Italy successfully closed the qualification procedure for the attainment of new Certificates: the ISO 9001:2008 renewal and the new API Q1 (American Petroleum Institute and ISO/TS 29001).

2012 FINANCIAL STATEMENTS

The figures are taken from the Manuli Rubber Industries Group's consolidated financial statements for the year ended December 31, 2012.

Such financial statements have been audited by Deloitte & Touche, which issued its report with no exceptions. The financial statements and related reports are deposited with the Company.

CONSOLIDATED INCOME STATEMENT

For the year ended

31 DECEMBER 2012

(Amounts in € thousand)	2012	%	2011	%	Change	incr. %
NET SALES	314,737	100.0%	320,105	100.0%	(5,368)	-1.7%
Other revenues and income	6,707	2.1%	7,165	2.2%	-458	-6.4%
Changes in inventory of finished products and work in progress	(3,372)	-1.1%	9,427	2.9%	(12,799)	-135.8%
VALUE OF PRODUCTION	318,072	101.1%	336,697	105.2%	(18,625)	-5.5%
Purchase of materials	(135,500)	-43.1%	(156,455)	-48.9%	20,955	-13.4%
Changes in raw materials inventory	(2,637)	-0.8%	2,705	0.8%	(5,342)	-197.5%
Services received	(45,719)	-14.5%	(45,886)	-14.3%	167	-0.4%
Other costs	(18,548)	-5.9%	(17,545)	-5.5%	(1,003)	5.7%
VALUE ADDED	115,668	36.8%	119,516	37.3%	(3,848)	-3.2%
Cost of labour	(70,652)	-22.4%	(65,631)	-20.5%	(5,021)	7.7%
GROSS OPERATING PROFIT (EBITDA)	45,016	14.3%	53,885	16.8%	(8,869)	-16.5%
Depreciation and amortisation	(15,562)	-4.9%	(15,119)	-4.7%	(443)	2.9%
Other provisions	(7,505)	-2.4%	(7,892)	-2.5%	387	-4.9%
OPERATING PROFIT (EBIT)	21,949	7.0%	30,874	9.6%	(8,925)	-28.9%
Net financial income and charges	(5,054)	-1.6%	(4,883)	-1.5%	(171)	3.5%
Net profit and loss on exchange rates	1,039	0.3%	1,309	0.4%	(270)	-20.6%
(Writedown) Revaluation of equity investments	94	0.0%	923	0.3%	(829)	-89.8%
PROFIT BEFORE TAXES	18,028	5.7%	28,223	8.8%	(10,195)	-36.1%
Income taxes:						
current	(7,756)	-2.5%	(11,496)	-3.6%	3,740	-32.5%
deferred	(1,505)	-0.5%	2,367	0.7%	(3,872)	-163.6%
PROFIT BEFORE MINORITY INTERESTS' QUOTA	8,767	2.8%	19,094	6.0%	(10,327)	-54.1%
Quota of (profit) loss pertaining to minority interests	(33)	-0.0%	(334)	-0.1%	301	-90.1%
PROFIT FOR THE PERIOD	8,734	2.8%	18,760	5.9%	(10,026)	-53.4%

CONSOLIDATED BALANCE SHEET

For the year ended

31 DECEMBER 2012

(Amounts in € thousand)	2012	2011	Change	incr. %
CURRENT ASSETS:				
Customer receivables	54,387	66,859	(12,472)	-18.7%
Inventories	80,197	83,811	(3,614)	-4.3%
Accrued income and deferred expenses	1,769	2,527	(758)	-30.0%
Other current assets	5,992	6,242	(250)	-4.0%
TOTAL CURRENT ASSETS	142,345	159,439	(17,094)	-10.7%
CURRENT LIABILITIES:				
Suppliers	29,605	48,188	(18,583)	-38.6%
Other payables	12,748	11,846	902	7.6%
Accrued expenses and deferred income	2,653	3,191	(538)	-16.9%
Tax payables	4,214	5,551	(1,337)	-24.1%
Provisions for risks and charges	10,968	16,990	(6,022)	-35.4%
TOTAL CURRENT LIABILITIES	60,188	85,766	(25,578)	-29.8%
WORKING CAPITAL	82,157	73,673	8,484	11.5%
FIXED ASSETS AND LIABILITIES:				
Tangible fixed assets	90,731	91,427	(696)	-0.8%
Intangible fixed assets	41,939	38,839	3,100	8.0%
Equity investments and securities	16,105	2,527	13,578	n,s,
Other fixed assets	13,793	14,471	(678)	-4.7%
Other fixed liabilities	(3,651)	(3,830)	179	-4.7%
Provisions for risks and charges	(1,777)	(782)	(995)	127.2%
TOTAL FIXED ASSETS AND LIABILITIES	157,140	142,652	14,488	10.2%
INVESTED CAPITAL NET OF CURRENT LIABILITIES	239,297	216,325	22,972	10.6%
SEVERANCE PAYMENTS	1,986	1,985	1	0.1%
NET INVESTED CAPITAL	237,311	214,340	22,971	10.7%
FINANCED BY:				
Share capital	5,018	5,018	-	-
Share premium reserve	22,234	22,234	-	-
Legal reserve	1,004	1,004	-	-
Other reserves	78,257	63,029	15,228	24.2%
Retained earnings	8,437	8,854	(417)	-4.7%
Annual profit	8,734	18,760	(10,026)	-53.4%
TOTAL GROUP SHAREHOLDERS' EQUITY	123,684	118,899	4,785	4.0%
TOTAL SHAREHOLDERS' EQUITY				
PERTAINING TO MINORITY INTERESTS	801	826	(25)	-3.0%
TOTAL SHAREHOLDERS' EQUITY	124,485	119,725	4,760	4.0%
Non-current financial payables	(54,840)	(57,170)	2,330	-4.1%
M/L term loans for minority share purchase options	(1,271)	-	(1,271)	-
MEDIUM-LONG TERM NET DEBT	(56,111)	(57,170)	1,059	-1.9%
Current liquid assets	22,168	20,806	1,362	6.5%
Financial payables, short-term portion of				
L/T loans and other liabilities	(78,883)	(58,251)	(20,632)	35.4%
CURRENT LIQUID ASSETS (LIABILITIES)	(56,715)	(37,445)	(19,270)	51.5%
NET FINANCIAL POSITION	(112,826)	(94,615)	(18,211)	19.2%
TOTAL SOURCES OF FUNDS	237,311	214,340	22,971	10.7%

CONSOLIDATED CASH FLOW STATEMENT

For the year ended

31 DECEMBER 2012

(Amounts in € thousand)	2012*	2011
PROFIT (LOSS) FOR THE YEAR	8,854	18,760
Items not affecting liquid funds:		
Amortisation and depreciation	15,496	15,119
Mark-to-Market evaluation	(204)	(622)
Severance indemnity and pension payments appropriated during the period	1,297	1,079
Accruals for risks and charges	6,312	9,788
Writedown of equity investments and goodwill	(94)	(923)
TOTAL ITEMS NOT AFFECTING LIQUID FUNDS	22,807	24,441
SELF-FINANCING	31,661	43,201
Current assets:		
Trade accounts receivable	12,804	(9,255)
Inventories	4,440	(10,870)
Accrued income and deferred expenses	768	(229)
Other current assets	378	5,075
TOTAL CURRENT ASSETS	18,390	(15,279)
Current liabilities:		
Suppliers	(15,867)	(243)
Other payables	884	2,277
Accrued expenses and deferred income	(538)	427
Tax payables	(1,385)	401
TOTAL CURRENT LIABILITIES	(16,906)	2,862
CHANGES IN CURRENT ASSETS AND LIABILITIES	1,484	(12,417)
Use of provisions for risks and charges	(11,339)	(4,640)
Staff severance indemnities and pension payments paid during the year	(1,587)	(2,824)
Total use of funds affecting liquid funds	(12,926)	(7,464)
CASH FLOWS GENERATED FROM OPERATING ACTIVITY	20,219	23,320
Purchase of technical fixed assets	(11,673)	(17,674)
Increase/(Decrease) in suppliers of technical fixed assets and intangible assets	(2,994)	3,464
Proceeds from sale of fixed assets	266	1,766
Increase in intangible fixed assets	(1,040)	(843)
Cash flows from investment activity	(15,441)	(13,287)
Other changes in current assets:		
Dividends distributed	(6,111)	(6,541)
Translation differences and other movements	(352)	(4,320)
(Increase)/Decrease in fixed assets/liabilities	2,203	(2,806)
Variation of minority interests	(25)	(99)
Cash flows from financial activity	(4,285)	(13,766)
Change in consolidation area:		
Purchase of Manuli Fluiconnecto (NSW) Pty Ltd. (ex Flow Services Pty Ltd.)*	(1,112)	
Purchase of Fluid System Botswana (Pty) Ltd.*	(2,730)	
Purchase of Fluid System North (Pty) Ltd.*	(744)	
Purchase of Hyspec Mining Services Pty Ltd.**	(14,118)	
Total change in consolidation area	(18,704)	
INCREASE/(DECREASE) IN NET FINANCIAL POSITION	(18,211)	(3,733)
NET FINANCIAL POSITION AT BEGINNING OF YEAR	(94,615)	(90,882)
NET FINANCIAL POSITION AT END OF YEAR	(112,826)	(94,615)

* In the December 31 2012 cash flow statement, the effects of addition to the consolidation area of Manuli Fluiconnecto (NSW) Pty Ltd., Fluid System Botswana (Pty) Ltd. and Fluid System North (Pty) Ltd. are shown under the item "Changes in the consolidation area". This item includes the price paid for the purchase, related costs and movements generated in the year 2012.

**In the December 31 2012 cash flow statement, the acquisition of Hyspec Mining Services Pty Ltd. was shown under the item "Changes in the consolidation area". This item includes the price paid for the purchase and related costs.

**BRAND
EVOLUTION**



1935



1973



1993



1935]- 77°
2012]-



Mr. Dardanio Manuli
The Founder



Mr. Mario Manuli
Managing Director



