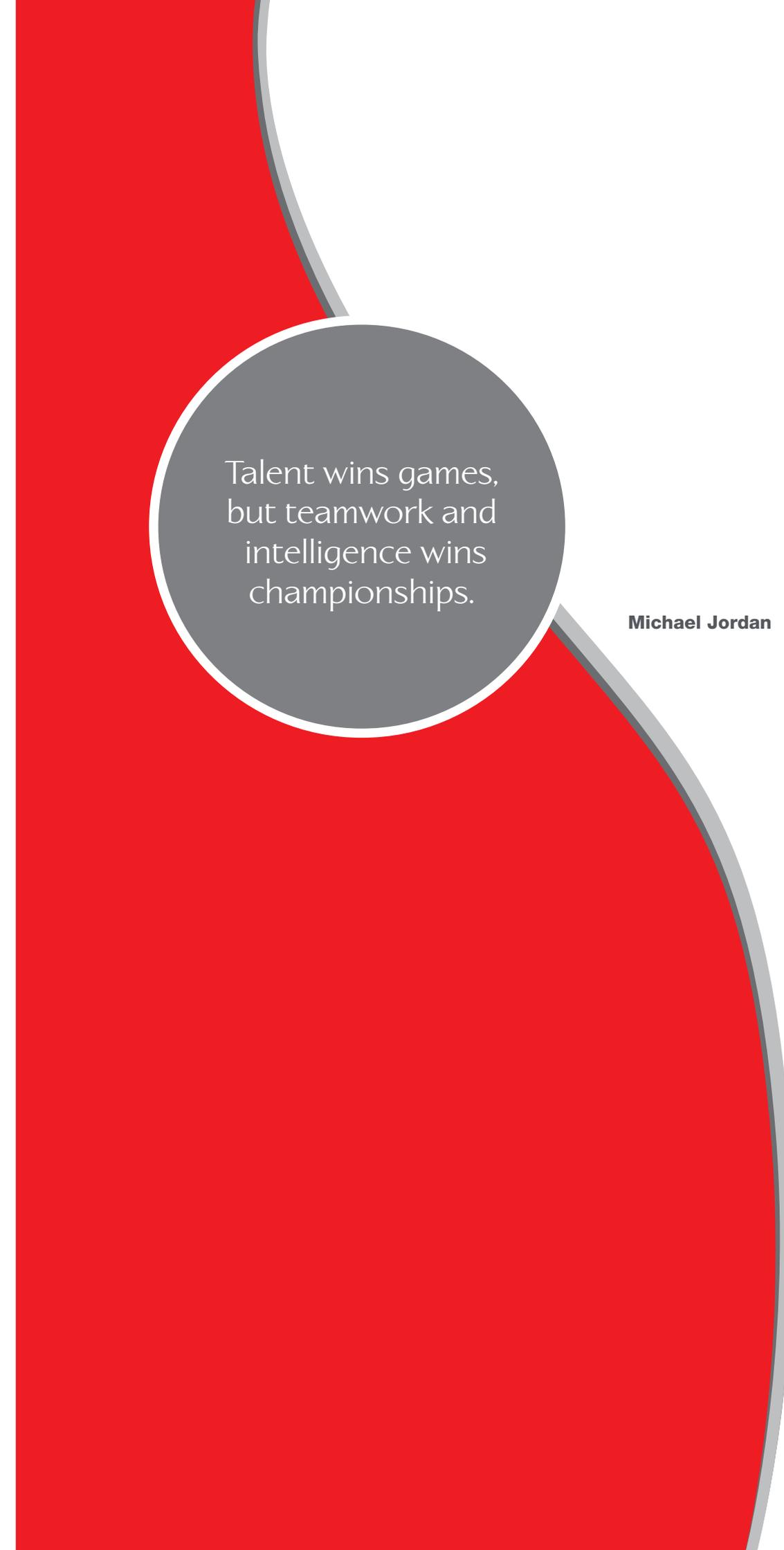


 **manuli**[®]
RUBBER INDUSTRIES

ANNUAL REPORT 2011



Talent wins games,
but teamwork and
intelligence wins
championships.

Michael Jordan



Summary



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fluiconnecto
— „manuli” —

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MESSAGE from the PRESIDENT

Three years after the fall caused by the “great recession” of 2009, our company’s sales have climbed back to the previous record, in fact at € 320.1 millions, 2011 sales did slightly better than the 2008 peak (€ 317.4 mil).

However that’s where the similarities end as, in order to successfully resume growth, over the last three years Manuli Rubber Industries (MRI) has undergone a drastic evolution process into a truly multinational group, which can be summarized as follows:

- 2011 non European sales accounting for 47% of the total
- non European headcount representing 32.5% of the total as of December 31st 2011
- a network of specialist Innovation Centers located in Italy, France and Poland in Europe and China and India in Asia
- a network of fully owned units dedicated to serving the world’s leading OEM’s in the United Kingdom, the Czech Republic and France in Europe and China, India and South Korea in Asia. This network is completed in the Americas by strategic partnerships through the “OEM Alliance” programme in Canada, the USA, Mexico and Brazil
- the Fluiconnecto division, focused on providing engineering services to end users from all market segments, once confined to Europe has since expanded to include a direct presence in Argentina, Australia, Singapore, South Africa and, more recently, the United Arab Emirates.

Despite the challenging environment EBITDA grew by more than 11% versus the previous year, settling at € 53.9 million. While we continued to invest in our future through Capex of € 18.1 million, our financial ratios improved once more to NFP/EBITDA 1.75 and NFP/Net Equity 0.8 .

Our Innovation Centers continued to develop new products, which have been readily accepted by both major OEM's and operators of industrial equipment, with a major focus on the growing sectors of mining, energy and agriculture.

Our ever growing portfolio of quality products now includes specialties such as quick disconnect couplings (Q.Safe range) which, despite its relatively recent development, has enjoyed tremendous global success. The same can be said for the new rotary drilling family of hoses and connections (Goldendril range), which is on its way to a bright future.

Much can be said about technical achievements, but they would not be complete without the focus on improving the quality of the human experience both within our company and outside of it. A renewed focus on service has strengthened the relationship with key customers, as exemplified by the success of our "OEM Alliance" and "Golden Partner" programmes.

Going into 2012 the foundations of the European economic recovery look quite shaky, while the rest of the world is also showing signs of moderating growth. These macro economic factors are clearly beyond our control, but MRI is better equipped than ever to navigate such waters, having shed the rigidities of the past it is now a more flexible organization, which can quickly adjust to changed market conditions both on the negative and on the positive side. This has been the result of the hard work of a dedicated team of men and women committed to excellence and this is the path that MRI will continue to follow.



A handwritten signature in black ink, appearing to read "D. Manuli". The signature is stylized and fluid.

Dardanio Manuli
Chairman and Chief Executive Officer



CORPORATE & MISSION & VALUES

Corporate Mission

Manuli Rubber Industries (MRI), established in 1935, is a multinational group 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, focused on achieving excellence in providing end-users from all sectors with top quality hydraulic components and technical services.

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 and Chief Executive Officer
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 **2009-2011** (renewed for 2012-2014)

Deloitte & Touche S.p.A. Via Tortona, 25 - 20144 Milano



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.

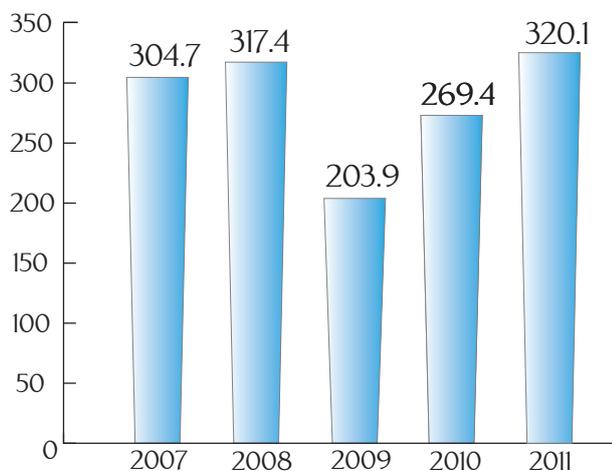
2011 FINANCIAL HIGHLIGHTS

Consolidated Group Figures

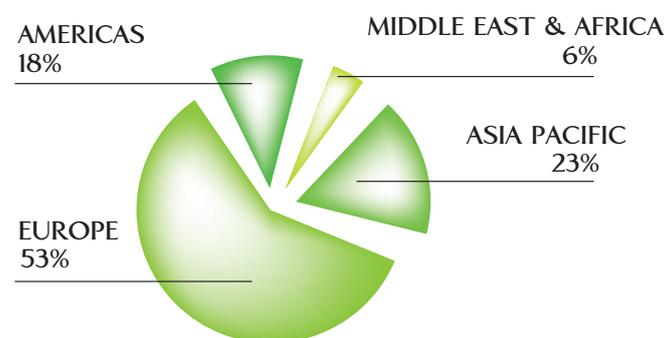
Millions of Euros

	2007
Net sales	304.7
Growth rate %	8.2%
EBITDA	53.7
% on net sales	17.6%
EBIT	35.0
% on net sales (ROS)	11.5%
Net Result	19.8
% on net sales	6.5%
Cash flow(self financing*)	37.4
Research & Innovation	5.1 1.8%
Net capital employed	182.9
Net financial position	(67.8)
Group Shareholders' equity	115.2
Average workforce (employees + temporary workers)**	2,531
Capital expenditure	27.2

Net Sales
in millions of Euros

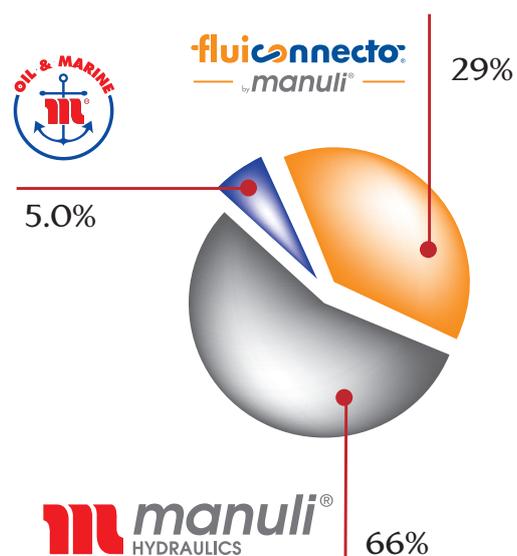


Net Sales
by geographical area, in percentage



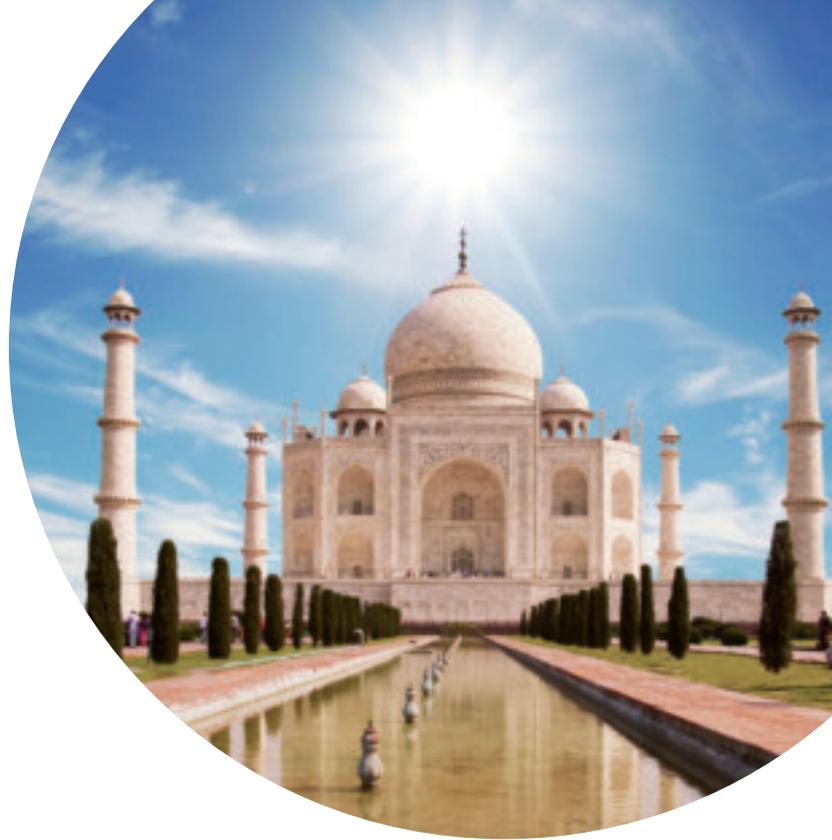
	2008	2009	2010	2011
	317.4	203.9	269.4	320.1
	4.2%	-35.7%	+32%	+19%
	42.3	17.5	48.4	53.9
	13.3%	8.6%	18%	17%
	17.3	(13.3)	29.7	30.9
	5.4%	-6.5%	11%	+10%
	0.5	(18.4)	20.2	18.8
	0.2%	-9.0%	7.5%	+6%
	23.7	10.9	39.7	43.2
	4.8	4.1	4.2	4.8
	1.9%	2.8%	1.6%	1.5%
	219.9	186.1	200.5	214.3
	(118.1)	(101.7)	(90.9)	(94.6)
	101.3	83.8	108.6	118.9
	2.701	2,155	2,324	2,588
	16.8	6.6	11.9	18.1

Net Sales
by business, in percentage



**RESEARCH
& INNOVATION**





During 2011, Manuli Rubber Industries continued its efforts to upgrade the product offer, serving the growing needs of the hydraulic sector.

Solutions for the so-called compact and efficient Fluid Power are requested by the market; a product range conceived for a more friendly use in product selection and management is welcome by distributors and end users.

The new GoldenISO hose range, rating in pressure from 21 to 42 MPa, is designed to meet all these new requirements.

Golden ISO™

An innovative product design offers more compactness, flexibility and lightness; the isobaric approach, compliant with the new ISO 18752, allows for easier product selection, installation and maintenance; in combination with the new Interlock Plus fittings style, this hose can reduce the pressure losses and contribute to the overall energy efficiency of the hydraulic system.

Fittings are required to become lighter and more compact as well. The new XtraFlange/61 line can offer the mechanical performance of a 6000 psi product within the overall dimensions of the 3000 psi product, allowing manufacturers and distributors to compact the hose routing without downgrading the hydraulic performance of their systems.



GoldenISO, the new concept for wire spiral hoses



In the Energy sector a new hose line, Goldenguard, for Blow Out Preventer stacks in drilling, has been developed in compliance with API 16D flame requirements, extending the Manuli Hydraulics product range to the drilling industry. An innovative 3" 7500 psi hose has been developed and approved in compliance with API 7K to extend the Goldendrill line in the high pressure large bore range.

manuli GOLDENGUARD

The new Isobaric hose line for blow out preventer (BOP) applications of the drilling industry



Innovative 3", 7500 psi hose



Hose assembled with Rotofit swivel fittings



Rotofit, the swivel fittings which eliminates hose twist and torque

The mining range was also enlarged with the introduction of the new beater flange staple fittings, offering an easier and safer way to disassemble the staples in roof support applications. While the XtraFlow® hose line has been enlarged up to 4 inch diameter in order to cover a wider range of applications, not only for suction and return lines, but also for medium pressure delivery lines.

The release of the new MS500 crimping machine range, top of range for large bore high tonnage crimping, is ideal for these new large bore assemblies.

The focus on assembling resulted in a new generation of crimping machines having the innovative SafeCrimp® system.

It is a device able to integrate the expertise of the crimping operation into automated processes controlled by the machine itself. The more frequent operations, such as the set up, the calibration and the final control of the crimping diameter, the prevention of wrong/missing crimps by an on line process control, can be applied automatically by the machine, better supporting the operators job and better guarantying the product quality.

The new SafeCrimp system is available on all MS type machines.

Last but not least RotoFit is an innovative patented solution where the stem is integrated with a dynamic swivel male, able to work under simultaneous high pressures and large rotations.

It is an optimum solution for assemblies applied in narrow spaces where the movements of the machine can create hose twisting.

Rotofit can prevent the twist and dramatically increase the hose service life.

Q.Safe

Also worthy of mention in 2011 was the further extension of the Qsafe® quick coupling line; even the more sophisticated applications in construction, demolition and agriculture can now find a solution in the Manuli QS range, having the appropriate 4:1 safety factor all over the range.



**QUALITY,
ENVIRONMENT,
HEALTH
& SAFETY**

Manuli Rubber Industries puts people and the environment at the centre of its corporate policy. These values are reinforced through the Total Quality Policy, Health and Safety on the workplace policy and Environmental management system, which are represented by the “Made in Manuli” concept.

The complete set of certifications covers the ISO 9001:2008 Quality standards, the ISO 14001:2004 Environmental standards and the OHSAS 18001:2007 Occupational Health and Safety standards.



Environmental policy

In compliance with **ISO 14001 regulation**, MRI Corporation pursues a sustainable development model through the engineering of **products and operational methods with low impact on the environment and people's health**.

ISO 14001: 2004 certified plants

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 - HY Connectors, Refri & A/C systems

Manuli Hydraulics UK – United Kingdom - Hose assemblies

Manuli Hydraulics Europe – Czech Republic - Hose assemblies

Manuli Hydraulics Korea – South Korea - Hose assemblies



Eco - friendly products

Bio Wire spiral reinforced hose range for biological and mineral oils compatibility

eCOAT™ Cr3+ zinc plating treatment

Health & Safety Policy

MRI Corporation is committed to **safeguarding people's health and safety on the work site.**

The Group was the **first company** in the hydraulic sector to achieve in 2005 the Occupational Health and Safety Assessment Series (OHSAS) certification.

OHSAS 18001:2007 certified plants

Manuli Hydraulics (Suzhou) – P.R.C., Hydraulic Hoses

Manuli Hydraulics (Suzhou) – P.R.C., Hose assemblies

Fluiconnecto by Manuli – South Africa



Quality Policy

Quality is the driving force for all Group activities.

MRI was the first **European hydraulic components manufacturer** to achieve in 1992 the **ISO 9001 certification**.

All manufacturing plants are currently ISO 9001 certified

ISO 9001:2008 certified plants

Manuli Rubber Industries – Italy, A.O. Innovation Center & Headquarters

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, HY Connectors, Refri & A/C systems

Manuli Hydraulics – UK, Hose assemblies

Manuli Hydraulics Europe – Czech Republic, Hose assemblies

Manuli Hydraulics – India, Hose assemblies (under certification)

Manuli Hydraulics Korea – South Korea, Hose assemblies

Manuli Otim – France, Hose assemblies

Techmafex – France, Assembling machines

Fluiconnecto by Manuli – South Africa





fondazione-manuli.com



fondoambiente.it



CORPORATE CITIZENSHIP

Manuli Rubber Industries' supports selected non-profit organizations committed to valuable initiatives in the **cultural and human health fields.**

In 2011 the Group support was addressed to the "Fondazione Manuli" and the "FAI".

- **Fondazione Manuli**, established in 1992, follows the wishes of Engineer Dardanio Manuli Senior, founder in late 1930 of Manuli Rubber Industries. The non-profit organization supports families affected by Alzheimer's disease. More information about the Manuli Foundation are available at www.fondazione-manuli.org.

- **Fondo Ambiente Italiano (FAI)** dedicates its activities to the preservation and care of the Italian artistic and environmental heritage. Fondoambiente.it is the web site publishing information and initiatives carried out also with our support.

In 2011 we continued to support two South African non-profit organizations

- **ITHEMBA RAPE and Trauma Centre**, which offers support and care to survivors of traumatic events

- **MZAMO CRECHE**, a preschool education centre, west of Johannesburg. The resources given by Fluiconnecto were mainly dedicated to babies and to the construction and maintenance of school building.

MRI GROUP OVERVIEW

Manuli Rubber Industries is a global organization committed to deliver excellence in innovation, quality and service.



MANULI HYDRAULICS

Brazil ,
Canada & USA ,
Mexico ,

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





FLUICONNECTO BY MANULI

Argentina, Australia, Belgium, Botswana, China, Czech Republic, France, Hungary, Indonesia, Lithuania, The Netherlands, Poland, Singapore, South Africa, United Arab Emirates



RESEARCH & INNOVATION

China, France, India, Italy, Poland



MRI GROUP ORGANIZATION



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
- 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
- OEM Alliance Partner facilities: Americas

Global Sales Network

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



Oil & Marine

APPLICATIONS

- Hose systems for:
- Buoys
 - Off shore oil rigs
 - Pipeline terminals
 - Ship to shore

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

FACILITIES

- One manufacturing plant and commercial office in Italy

MARKETS

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

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 & adaptors
- Technical assistance

KEY STRENGTHS

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

INTERNATIONAL NETWORK

- 24/7 services availability operated by a fleet of Service vans
- Presence at our customers' doorstep through Workshops-On-Site
- Over 135 Service Points in Argentina, Australia, Botswana, China, Europe, Indonesia, Singapore, South Africa, UAE

FLUICONNECTO

Global Network

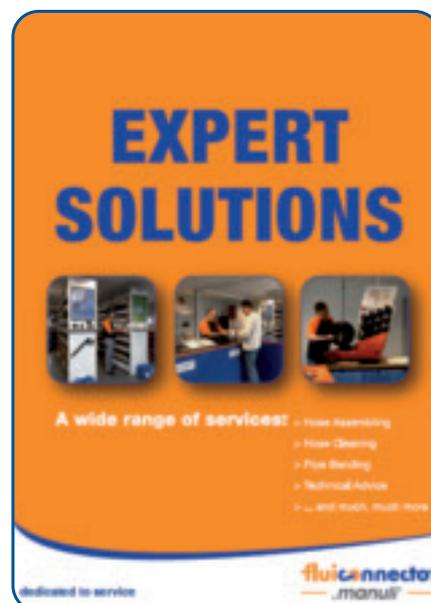
Over 120 Service Points in Argentina, Australia, Belgium, China, Central and Eastern Europe, France, Indonesia, The Netherlands, Singapore, South Africa and United Arab Emirates

Mission

Fluiconnecto offers global hydraulic solutions for end-users and OEM customers including:

- Downtime reduction
- Increase of safety standards
- Affordable quality
- Reliability
- Technical expertise
- One-stop shop

A constantly increasing global network of service points, service vans and on-site container workshops assures that Fluiconnecto is always close to the customer. Flexibility, quick response and listening to the customers' requirements are the fundamentals of Fluiconnecto.



2011 Facts & Figures

In 2011 the net sales of Fluiconnecto reached Euro 92.3 millions, representing 13.2 % of growth compared to 2010. The number of active customers was extended by more than 25 % in 2011 mainly due to the launch of new products and services.

The year 2011 showed a sustainable growth in all three business units 'Mining', 'Drilling' and 'General Hydraulics' in all Fluiconnecto countries.

Fluiconnecto Argentina continued its positive development in winning several important contracts in the mining business as well as in the oil and gas business. In **South Africa Fluiconnecto** extended its strong position in mining and general hydraulics by adding three additional service points to the network. Positive as well was the development of **Fluiconnecto Australia** where the mining business was successfully increased.

Fluiconnecto Singapore extended its market leadership in the service vans business and got ready for further growth due to the implementation of a new ERP system.

In West Europe **Fluiconnecto France, the Netherlands and Belgium** underlined their importance for the Fluiconnecto growth through a solid growth in both, sales and profitability. Central and East Europe supplied by **Fluiconnecto Poland, Lithuania, Czech Republic and Hungary** completed the successful year 2011.

New acquisition of a majority interest holding in Fluid Tech General Trading L.L.C., now Manuli Fluiconnecto U.A.E, was concluded in 2011.

This acquisition, represents an important first step in the Middle East, as strategically, it also further strengthens Fluiconnecto by Manuli's growing and globally connected network of fully owned service points and service van operations.

The acquired Fluid Tech, based in Dubai, has achieved rapid growth over the last two years, through the dedication of its competent management team, development and focus on the supply of hydraulic components to a diverse range of market sectors, especially those in the construction, marine and energy industries.

Current Network

With a team of more than 600 people, Fluiconnecto manages an ever growing network of service points, service vans and on-site container workshops.

Europe: a network of service points and a fleet of service vans in Benelux, France, Poland, Czech Republic, Hungary, Lithuania.

Africa and Middle East: through service points, "on-site" workshops and service vans in South Africa, Botswana and the Emirates

Asia Pacific: through service points, "on-site" workshops and service vans in Singapore, China, Indonesia and Australia

South America: through service points and "on-site" workshops in Argentina

Fluiconnecto Holding: located in Amersfoort, the Netherlands



**SERVICE
ON SITE**

MANULI HYDRAULICS



, made to be the best

MADE IN
manuli®

Manuli Hydraulics solutions
are endorsed by GLOBAL OEMs as
strategic supplier on a worldwide base



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 or drilling machines and fluids in refrigeration units.



2011 Facts & Figures

During 2011, the net sales of the Manuli Hydraulics Division totalled €238.1 million, 18.9% higher than the previous year (€200.2 million).

From a technological point of view, the entire range of original products manufactured by Manuli Hydraulics is designed to offer end users a range of original components and hose assemblies offering very high performance. Each Manuli Hydraulics products may be integrated with the entire range, and each individual component, from flexible hoses to assembly machines, forms part of the entire high pressure system.

The concept of integration between individual components has always guided the choices of the MH Innovation Centre. Furthermore, the constant commitment of technicians and engineers leads to the development of cutting-edge product lines, in most cases co-designed with leading Original Equipment Manufacturers (OEMs) and certified through Type Approval certificates for specific sector applications. Finally, the original products of Manuli Hydraulics fully meet the most demanding technical requirements of leading OEMs worldwide.

At the same time, the company has decided to focus increasingly on fast-growing applications, setting up special organisations and implementing projects specifically for this purpose, particularly with a view to developing the areas of Refrigeration, Mining and Drilling.

The new divisions complement the existing Wholesale and OEM Divisions, which have contributed to the company's growth in net sales. In particular, as regards the Wholesale Division, the results achieved in 2011 reveal a positive performance across all the continents.

The sales trend is also driven by an intensive cross-selling activity, which has seen traditional products supported by new product lines, such as Isobaric hoses and Quick release couplings.



With regard to the OEM Division, the Manuli Hydraulics Group is pursuing an ongoing strategy for the consolidation of existing customers, offering the supply of flexible hose assemblies both through its OEM units and through its OEM ALLIANCE PARTNERS, based in Brazil, the United States, Canada and Mexico.

Particularly worthy of note for the year 2011 was the ongoing supply of the Easyfit range to the Ransomes Group and the new supply of the Equator range to the Atlas Copco Group, for its line of Compressors.

Furthermore, the development of a global partnership with Volvo Construction Equipment and JCB also continued successfully.

Last but not least, on 29 April 2011 Manuli Hydraulics UK was presented with the Komatsu Award by Mr. Peter Howe, Managing Director of Komatsu UK Ltd, at an official awards ceremony.

This prestigious international award confirms the contribution made by the Manuli Hydraulics team to the success of Komatsu UK.

OIL & MARINE DIVISION

GMPHOM
2009

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

2011 Facts & Figures

In 2011, the sales of the Manuli Hydraulics Oil & Marine Division totalled €15.8 million, 30.3% higher than in 2010 (+€3.7 million).

The trend in the Oil & Marine division is extremely cyclical, connected with order acquisition procedures (large orders). The Oil & Marine Division supplies hose systems and “turnkey” accessories to highly specialised worldwide customers in both the original equipment (OEM) market and the maintenance market.

From a technological point of view, in 2011 the new POSEIDON 600mm (24") single carcass hose was introduced, brilliantly passing all the static and dynamic tests required by GMPHOM 2009, with a highly positive explosion test.

Of considerable interest during 2011 are a new 4-year contract for spare hoses stipulated with the CPC-R Consortium in Russia, as well as the support of the Oil & Marine Division to Aramco, in Saudi Arabia, involving a significant delivery of floating hoses.





Tanker rail hoses



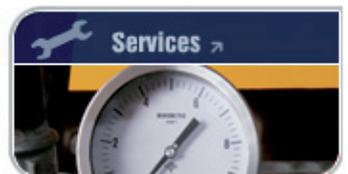
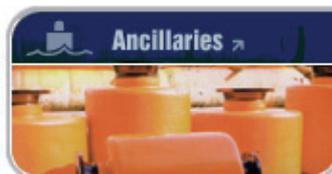
Submarine hoses



Floating hoses string

In addition to these achievements, a new order for Long Length hoses from XER Xcite Energy, owner of the Bentley oil field in the North Sea, has contributed to the presence of Manuli Hydraulics in terminals right across the globe.

Last but not least, during 2011 the Technical Academy also organized the Hose-tech seminar for international customers. Workshops and discussion groups involving all delegates, with the support of Manuli engineers, contributed to the consolidation of business relations with Customers.



2011 FINANCIAL STATEMENTS

The figures are taken from the Manuli Rubber Industries Group's consolidated financial statements for the year ended December 31, 2011. 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 2011

(amounts in Euro/000)	2011		2010		Change	%
Net sales	320,105	100.0%	269,437	100.0%	50,668	18.8%
Other revenues and income	7,165	2.2%	6,639	2.5%	526	7.9%
Changes in inventory of finished products and work in progress	9,427	2.9%	9,157	3.4%	270	2.9%
Value of production	336,697	105.2%	285,233	105.9%	51,464	18.0%
Purchase of materials	(156,455)	-48.9%	(124,850)	-46.3%	(31,605)	25.3%
Changes in raw materials inventory	2,705	0.8%	4,853	1.8%	(2,148)	-44.3%
Services received	(45,886)	-14.3%	(40,758)	-15.1%	(5,128)	12.6%
Other costs	(17,545)	-5.5%	(15,766)	-5.9%	(1,779)	11.3%
Value added	119,516	37.3%	108,712	40.3%	10,804	9.9%
Cost of labour	(65,631)	-20.5%	(60,345)	-22.4%	(5,286)	8.8%
Gross Operating Profit (EBITDA)	53,885	16.8%	48,367	18.0%	5,518	11.4%
Depreciation and amortisation	(15,119)	-4.7%	(14,423)	-5.4%	(696)	4.8%
Other provisions	(7,892)	-2.5%	(4,276)	-1.6%	(3,616)	84.6%
Operating profit	30,874	9.6%	29,668	11.0%	1,206	4.1%
Net financial income and charges	(4,882)	-1.5%	(3,986)	-1.5%	(896)	22.5%
Net profit and loss on exchange rates	1,307	0.4%	2,051	0.8%	(744)	-36.3%
(Writedown) Revaluation of equity investments	923	0.3%	-	0.0%	923	0.0%
Profit before taxes	28,222	8.8%	27,733	10.3%	489	1.8%
Income taxes:	(11,496)	-3.6%	(6,879)	-2.6%	(4,617)	67.1%
current	2,367	0.7%	(464)	-0.2%	2,831	n.s.
deferred						
Profit before minority interests' quota	19,094	6.0%	20,390	7.6%	(1,296)	-6.4%
Quota of (profit) loss pertaining to minority interests	(334)		(198)		(136)	
PROFIT FOR THE PERIOD	18,760	5.9%	20,192	7.5%	(1,432)	-7.1%

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

(amounts in Euro/000)	2011	2010	Change	%
Current assets:				
Trade accounts receivable	66,860	57,604	9,256	16.1%
Inventories	83,811	72,941	10,870	14.9%
Other current assets	8,769	13,615	(4,846)	-35.6%
Total current assets	159,440	144,160	15,280	10.6%
Current liabilities:				
Trade accounts payable	48,188	44,967	3,221	7.2%
Other payables	15,037	12,333	2,704	21.9%
Tax payables	5,551	5,150	401	7.8%
Provisions for risks and charges	16,990	11,971	5,019	41.9%
Total current liabilities	85,766	74,421	11,345	15.2%
WORKING CAPITAL	73,674	69,739	3,935	5.6%
Non current assets:				
Tangible fixed assets	91,427	87,792	3,635	4.1%
Intangible fixed assets	38,839	38,488	351	0.9%
Other non current assets and liabilities	12,386	8,188	4,198	51.3%
Total non current assets	142,652	134,468	8,184	6.1%
CAPITAL EMPLOYED LESS CURRENT LIABILITIES	216,326	204,207	12,119	5.9%
STAFF SEVERANCE INDEMNITIES	1,985	3,753	(1,768)	-47.1%
NET CAPITAL EMPLOYED	214,341	200,454	13,887	6.9%
FUNDED BY:				
GROUP SHAREHOLDERS' EQUITY	(118,899)	(108,647)	(10,252)	9.4%
Minority interests in shareholders equity	(826)	(925)	99	-10.7%
GROUP SHAREHOLDERS' EQUITY	(119,725)	(109,572)	(10,153)	9.3%
Medium/long term indebtedness	(57,170)	(70,823)	13,653	-19.3%
Short term net liquid funds (indebtedness)	(37,446)	(20,059)	(17,387)	86.7%
NET FINANCIAL POSITION	(94,616)	(90,882)	(3,734)	4.1%
TOTAL SOURCES OF FUNDING	(214,341)	(200,454)	(13,887)	6.9%

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2011

(amounts in Euro/000)	2011	2010
Profit (loss) for the year	18,760	20,192
Items not affecting liquid funds:		
Amortisation and depreciation	15,119	14,423
Mark-to-Market evaluation	(622)	248
Staff severance indemnities matured in the year	1,079	1,057
Accruals for risks and charges	9,788	3,768
Writedown (Revaluation) of equity investments	(923)	-
Total items not affecting liquid funds	24,441	19,496
SELF-FINANCING	43,201	39,688
Current assets:		
Trade accounts receivable	(9,256)	(15,965)
Inventories	(10,870)	(16,434)
Prepayments and accrued income	(229)	(723)
Other current assets	5,075	(2,544)
Total current assets	(15,280)	(35,666)
Current liabilities:		
Trade accounts payable	3,221	23,596
Other payables	2,277	1,343
Accrued expenses and deferred income	427	1,144
Tax payables	401	2,481
Total current liabilities	6,326	28,564
Changes in current assets and liabilities	(8,954)	(7,102)
Cash flow from operating activity	34,247	32,586
Purchase of tangible fixed assets	(17,674)	(11,695)
Proceeds from sale of fixed assets	1,766	591
Increase in intangible fixed assets	(843)	(430)
Cash flow from investment activity	(16,751)	(11,534)
Risks and charges paid in the year	(4,640)	(6,922)
Staff severance indemnities paid in the year	(2,824)	(2,268)
Other changes in shareholders' equity:		
Dividends distributed	(6,541)	(51)
Translation differences and other movements	(4,320)	(1,728)
(Increase) Decrease in financial fixed assets	(2,806)	418
Variation of minority interests in shareholders equity	(99)	280
Cash flow from financial activity	(21,230)	(10,271)
CHANGES IN NET FINANCIAL POSITION	(3,734)	10,781
NET FINANCIAL POSITION AT BEGINNING OF YEAR	(90,882)	(101,663)
NET FINANCIAL POSITION AT END OF YEAR	(94,616)	(90,882)

MILESTONE

- 1935** Dardanio Manuli establishes a new company to manufacture electrical insulating tapes, power cables and rubber hoses.
- 1970** Establishment of Manuli Gomma and concentration of reinforced rubber hoses manufacturing in the Ascoli Piceno plant.
- 1973** Uniroyal acquires 50% of Manuli Gomma originating the Uniroyal-Manuli joint-venture.
- 1986** The Manuli family buys back 50% of Uniroyal-Manuli from Uniroyal and the name is changed to Manuli Rubber Industries (MRI).
- 1992** The MRI Group re-organized in three Business Groups with the newly created Automotive Business Group, along side the traditional Hydraulics and Oil & Marine Business Groups.
- 1994** Acquisition of Sonatra, - France (Manuli Sonatra) leader in the distribution of hydraulic products in France.
- 1995** Acquisition of Hydrofit - Italy, a leading European manufacturer of metal fittings for hydraulic applications.
- 1997** MRI Group shares are listed at the Italian Stock Exchange. Acquisition of OTIM - France (Manuli OTIM), the leading French hose assembler for the OEM market and Dehak - Poland (Manuli Hydraulics Polska), manufacturer of metal fittings.
- 1998** Acquisition of Keasan, renamed Manuli Hydraulics Korea, manufacturer of hose assemblies for OEMs.

- 2001** Trading of MRI Group shares in the STAR market segment.
- 2004** De-listing of MRI shares. Divestment of 100% of the Automotive Business Group. Acquisition of Pressure Hoses, renamed Manuli Hydraulics UK.
- 2005** 70th anniversary of the MRI Group. Acquisition of Techmaflex - France, a leading assembling machines manufacturer.
- 2006** Opening of the new Oil & Marine production facility in Italy. The distribution network in France, Eastern Europe and Argentina is regrouped under the Fluiconnecto by Manuli brand.
- 2007** Establishment of the commercial subsidiaries Manuli Hydraulics India and Manuli Hydraulics Japan, and opening of the new assembling unit Manuli Hydraulics Brasil. Acquisition of a 40% stake in Mercia International Products (UK), a leading manufacturer of connectors for underground mining.
- 2008** Establishment of Fluiconnecto by Manuli BENELUX through the acquisition of Hebu, a leading hydraulic retail company in the Netherlands and Belgium. Establishment of Fluiconnecto by Manuli South Africa and acquisition of Powerforce Hydraulics in Witbank. Acquisition of shares of SIN AA Hydraulic & Trading Pte Ltd in Singapore (Manuli Fluiconnecto Pte Ltd). Migration of Manuli Hydraulics Australia into Fluiconnecto network.
- 2009** Facing the global downturn, MRI Group successfully implemented the necessary reallocation of resources to countries with high growth potential.
- 2010** MRI Group celebrates 75 years of growth and independence with a strong recovery in profitability and financial ratios.
- 2011** Further growing of the Fluiconnecto network through two new acquisitions: Hydra-Quip, a local South African company, and a majority share holding in Fluid Tech General Trading L.L.C., Dubai U.A.E.



Mr. Dardanio Manuli
The founder



Mr. Mario Manuli
Managing Director



manulirubber.com



manuli-hydraulics.com



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