

INTERIM FINANCIAL REPORT AS AT MARCH 31, 2022

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
MILANO MONZA-BRIANZA LODI COMPANY REGISTER AND TAX CODE N. 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
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BOARD OF DIRECTORS' REPORT

ON OPERATIONS

AS AT MARCH 31, 2022

THE AUTOMOTIVE MARKET IN 2022

In the first few months of the year the difficulties in sourcing specific components continued (which also led to the temporary closure of some factories of the main world manufacturers), as did the shortages of raw materials and the increase in raw material and energy prices. Starting at the end of February, this problematic situation was compounded by the difficulties linked to the conflict between Russia and Ukraine and the economic and financial sanctions imposed on Russia by Europe, the United States and other countries around the world, which led to a reduction in world trade and a further rise in raw material and energy prices.

Against this backdrop, in the first quarter of 2022, global automobile production was down 4.5% compared to 2021; in March, the decline became more pronounced at -11.4%. Europe performed the worst, with car production at -17% compared to the first quarter of 2021 (-24.3% in March); production also fell in NAFTA and Mercosur (-1.8% and -13.3% respectively), while China showed a positive trend (+6.1%).

Despite the above, IHS maintains a forecast for global manufacturing growth of 4.4% in 2022.

INFORMATION ON OPERATIONS

The Group revenues grew by 8% compared to 2021: production volumes remained substantially stable (compared to a market at -4.5%) and sales prices were adjusted to take into account the increases in raw material costs (particularly steels) recorded over the last 12 months.

The economic results were positive:

- net income was Euro 10.7 million (Euro 11.8 million in 2021);
- positive free cash flow was Euro 43.7 million (Euro 32.4 million in 2021);
- net debt before IFRS 16 at March 31, 2022 was Euro 213.4 million, down from Euro 258.2 million at December 31, 2021 and Euro 261.1 million at the end of March 2021.

The first quarter of 2022 was also positive for business activity.

During the quarter, the SOGEFI CabinHepa+cabin filter, which uses HEPA (High Efficiency Particulate Air) media and filters mechanically, capturing particles 50 times smaller than a conventional cabin filter, won the 2022 Product of the Year award in France. The new European E-Mobility Tech Center, based in eastern France, was also inaugurated. It is dedicated to research and development of new E-mobility products and equipped with Europe's largest 3D printer.

The Air and Cooling division entered into major contracts in NAFTA to supply thermal management products and cooling plates for electric mobility. In particular, a new contract was signed, the largest electric mobility contract ever entered into by Sogefi, with a manufacturer of electric commercial vehicles, for the production of aluminium cooling plates welded with laser technology to control the temperature of the battery. Filtration obtained a significant number of contracts for the supply of oil filters and air purification filters. Suspensions obtained contracts in Europe for coil springs and stabilizer bars, most of which will be manufactured in Romania.

RESULTS OF FIRST QUARTER 2022

It should be noted that the values for the period 2021 include the application of IFRS 5 (“Non-current assets held for sale and discontinued operations”) to the Argentinian subsidiary of the Filtration business unit, which was sold in August 2021.

Revenues

In the first quarter of 2022, Sogefi's **revenues** amounted to Euro 381.1 million, up 8% on the corresponding period of 2021 (Euro 352.8 million).

Turnover grew in all geographies: +4.1% in Europe, +13.5% in North America, +31.9% in South America and +7.6% in Asia. Sogefi outperformed the market in all areas except China, where in the same period of the previous year Sogefi had already reported strong growth in revenues thanks to the launch of new programs.

(in millions of Euro)	Q1 2022	Q1 2021	reported change 2022 vs 2021	constant exchange rates 2022 vs 2021	reference market production
	Amount	Amount	%	%	%
Europe	234.1	224.9	4.1	3.7	(17.0)
North America	79.4	69.9	13.5	5.6	(1.8)
South America	21.0	15.9	31.9	32.5	(13.3)
Asia	48.1	44.7	7.6	0.5	4.7
- of which China	24.6	23.8	3.6	(5.5)	6.1
Intercompany eliminations	(1.5)	(2.6)			
TOTAL	381.1	352.8	8.0	5.4	(4.5)

By Business Unit, Suspensions reported revenues up 9.5%, with a particularly significant rate of increase in South America. Filtration reported revenues up 11.6%, with strong performance from the Aftermarket in Europe and the North American operations. The Air and Cooling division grew by 2.7% due to exchange rates, while at constant exchange rates it contracted slightly (-1.7%).

(in millions of Euro)	Q1 2022	Q1 2021	reported change 2022 vs 2021	constant exchange rates 2022 vs 2021
	Amount	Amount	%	%
Suspensions	133.7	122.1	9.5	8.5
Filtration	133.6	119.7	11.6	9.1
Air&Cooling	114.8	111.8	2.7	(1.7)
Intercompany eliminations	(1.0)	(0.8)		
TOTAL	381.1	352.8	8.0	5.4

P&L Highlights

(in millions of Euro)	Note (*)	Q1 2022		Q1 2021		Change	
		Amount	%	Amount	%	Amount	%
Sales revenues		381.1	100.0	352.8	100.0	28.3	8.0
Variable cost of sales		274.3	72.0	244.5	69.3	29.8	12.2
CONTRIBUTION MARGIN		106.8	28.0	108.3	30.7	(1.5)	(1.4)
Fixed Costs	(a)	55.8	14.6	57.0	16.2	(1.2)	(2.2)
Restructuring costs		1.9	0.5	1.3	0.4	0.6	42.5
Other expenses (income)	(b)	(0.9)	(0.2)	(4.2)	(1.3)	3.3	(78.3)
EBITDA	(c)	50.0	13.1	54.2	15.4	(4.2)	(7.7)
Depreciation and amortization/Write-downs	(d)	28.8	7.5	28.8	8.2	0.0	0.1
EBIT		21.2	5.6	25.4	7.2	(4.2)	(16.7)
NET INCOME (LOSS) OF OPERATING ACTIVITIES		10.8	2.8	13.6	3.8	(2.8)	(20.4)
Net income (loss) from discontinued operations, net of tax effects		-	-	(0.8)	(0.2)	0.8	100.0
GROUP NET RESULT		10.7	2.8	11.8	3.4	(1.1)	(9.5)

(*) The notes in the table are explained in detail in the annex at the end of this report

EBITDA¹ amounted to Euro 50.0 million compared with Euro 54.2 million in the first quarter of 2021; gross profitability (EBITDA / Revenue %) fell to 13.1%, from 15.4% in the first quarter of 2021. This reflects a decline in contribution margin to 28%, compared to 30.7% in the first quarter of 2021, due to higher material and energy costs. In contrast, fixed costs as a percentage of revenue are down from 16.2% (in the same period of 2021) to 14.6%.

EBIT amounted to Euro 21.2 million, compared with Euro 25.4 million in 2021.

Financial expenses, at Euro 4.5 million, were down on those in the first quarter of 2021 (Euro 5.8 million) thanks to the reduction in debt and the cost of debt; tax expenses were essentially stable at Euro 5.9 million (Euro 6.0 million in 2021).

The **net result** was a positive Euro 10.7 million (Euro 11.8 million in the first quarter of 2021).

The **Free Cash Flow** was positive for Euro 43.7 million versus Euro 32.4 million in Q1 2021. The Free Cash Flow reflects the positive results and specific actions on working capital implemented by the Group.

Net debt before IFRS16 stood at Euro 213.4 million at March 31, 2022, down from the end of 2021 (Euro 258.2 million) and from March 31, 2021 (Euro 261.1 million). Including financial payables for rights of use as per IFRS 16, net debt at March 31, 2022 stood at Euro 281.8 million, down from Euro 327.6 million at December 31, 2021.

As of March 31, 2022, the Group has committed credit lines in excess of requirements of Euro 321 million.

At March 31, 2022, **Shareholders' equity**, excluding minority interests, amounted to Euro 205.8 million versus Euro 187.7 million at December 31, 2021.

The **employees** of Sogefi Group as of March 31, 2022 were 5,533, compared to 5,462 as of December 31, 2021 and 5,798 as of March 31, 2021.

¹ EBITDA is calculated by adding to the item "EBIT" the item "Depreciation and amortization" and the amount of the write-downs of tangible and intangible fixed assets contained in the item "Other non-operating expenses (income)", equal to Euro 0 million at 31 March 2022 (Euro 0.5 million in the corresponding period of the previous year).

PERFORMANCE OF BUSINESS UNITS

Filtration Business Unit

In the first quarter of 2022, Filtration business unit reported revenues of Euro 133.6 million, up by 11.6% (+ 9.1% at constant exchange rates) compared to the same period of 2021.

The EBITDA margin was 13.9%, compared to 15.4% in the first quarter of 2021, which would be reduced to 13.4% excluding non-operating income of Euro 2.4 million realized in the first quarter of 2021.

EBIT was positive for Euro 11.2 million, up from 10.4 million in the first quarter of 2021, with a stable operating profitability of 8.4%.

The employees of the business unit as of March 31, 2022 were 1,995 (1,974 as of December 31, 2021).

Suspension Business Unit

In the first quarter of 2022, the Suspension business unit reported revenues of Euro 133.7 million, up by 9.5% at historical exchange rates and 8.5% at constant exchange rates, which mainly reflects the business trend in South America, North America and India and the adjustment of sales prices.

The EBITDA margin was 6.1%, down from 10.6% in the same period of 2021. The business unit was particularly affected by higher steels and energy costs (raw materials costs went from 46.7% to 51.3% of revenues).

EBIT was negative for Euro 1.2 million, compared to Euro +4.5 million in the first quarter of 2021.

The employees of the business unit as of March 31, 2022 were 2,276 (2,267 as of December 31, 2021).

Air & Cooling Business Unit

In the first quarter of 2022, the Air and Cooling business unit reported revenues of Euro 114.8 million, up by 2.7% at historical exchange rates but down by 1.7% at constant exchange rates. Revenues declined in Europe, due to market trends, and in China, where in the first quarter of 2021 the turnover was particularly high.

The EBITDA margin was 18.9%, higher than the first quarter of 2021 (18.4%).

EBIT amounted to Euro 11.0 million, compared to Euro 9.7 million in the same period of the previous year, with an increase in operating profitability to 9.6% compared to 8.7% in the first quarter of 2021.

The employees of the business unit as of March 31, 2022 were 1,204 (1,169 as of December 31, 2021).

IMPACTS OF COVID-19 AND RUSSIAN-UKRAINIAN CONFLICT ON THE BUSINESS

In 2022, despite the continuing pandemic crisis, the effects on the market in which the Company operates were less severe than those suffered in the previous two years. However, demand remains weak, particularly in Europe and NAFTA, and operational challenges related to uneven production levels and staff absences caused by the pandemic continue. The current lockdown in some areas of China could have negative impacts both directly, on manufacturing activities in China, and indirectly, on raw materials imported from the country.

In 2022, the Sogefi Group continued to apply all the rules for health and safety in the workplace aimed at reducing the risk of contagion, namely social distancing, the use of individual protective equipment and measures to limit the presence of personnel in the workplace, i.e. working from home.

Regarding the impact of the Russian-Ukrainian conflict, it should be pointed out that Sogefi has a very limited direct presence in the countries involved: in 2021 revenues earned in these countries accounted for 0.7% of Sogefi's total revenues. Sales to Russia, Ukraine and Belarus have been discontinued since March. As a result, in the first quarter of 2022, Sogefi recorded impairment losses of Euro 1.1 million on assets held in Russia. With the exception of these losses, the impact on revenues and margins was not significant.

Regarding the indirect impact of the conflict, Sogefi, like the whole automotive sector, could suffer consequences on production volumes linked to the closure of the factories of the main world manufacturers present in Russia (such as, for example, Renault) and in general the repercussions of a further rise in the prices of raw materials and of increased supply difficulties.

OUTLOOK FOR THE YEAR

Visibility as to the market trend in the next few months of 2022 remains low. The uncertainties related to the evolution of the pandemic, availability and prices of raw materials, transportation and supply logistics from Asian markets, and thus the recovery of the automotive sector have been amplified by the Russian-Ukrainian conflict.

For 2022, however, IHS maintains a forecast of global manufacturing volumes recovering 4.4% from 2021, with Europe at +11.3%, NAFTA at +13%, South America at +9.6% and China essentially breaking even (-0.9%).

With regard to commodity prices, the early months of 2022 have seen a further rise and it is difficult to make forecasts for 2022. It should be noted that in the first quarter of 2022, sales prices were adjusted to reflect the increase in raw material costs recorded in 2021. Faced with a further rise in the cost of raw materials and energy following the outbreak of the Russian-Ukrainian conflict, Sogefi's management is committed to seeking fair agreements with all its customers, as it did in the first quarter, in order to continue to have sustainable long-term business relationships.

Assuming that there are no further factors causing a serious deterioration in the macro-economic and production scenario (significant tightening of sanctions against Russia, extension of the conflict outside Ukraine, shortages and price rises in energy and raw materials compared to the current ones that would compromise the sustainability of the supply chain), Sogefi confirms its target of achieving operating results for the whole of 2022, excluding non-recurring costs, substantially in line with the result recorded in 2021.

Milan, 22 April 2022

For THE BOARD OF DIRECTORS

The Chief Executive Officer

Frédéric Sipahi

ANNEX: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE REPORT ON OPERATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2022

- (a) The item corresponds to the sum of the lines “Manufacturing and R&D overheads”, “Distribution and sales fixed expenses” and “Administrative and general expenses”;
- (b) The item corresponds to the sum of the lines “Losses (gains) on disposal”, “Exchange (gains) losses” and “Other non-operating expenses (income)”, with the exception of the amount relating to the write-downs of tangible and intangible fixed assets;
- (c) The item corresponds to the sum of the lines “EBIT”, “Depreciation and amortization” and the amount of the write-downs of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”;
- (d) The item corresponds to the sum of the lines “Depreciation and amortization” and the amount of the write-downs of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”.

SOGEFI GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

ASSETS	03.31.2022	12.31.2021
CURRENT ASSETS		
Cash and cash equivalents	163.6	120.9
Other financial assets	3.2	1.3
Inventories	123.8	111.9
Trade receivables	164.0	136.7
Other receivables	12.1	10.9
Tax receivables	29.6	25.6
Other assets	6.2	2.7
ASSETS HELD FOR SALE	-	-
TOTAL CURRENT ASSETS	502.5	410.0
NON-CURRENT ASSETS		
Land	12.2	12.2
Property, plant and equipment	367.9	368.6
Other tangible fixed assets	5.7	4.7
Rights of use	65.6	67.4
Intangible assets	235.1	236.7
Other financial assets available for sales	-	-
Financial receivables	6.6	4.0
Other receivables	38.4	38.8
Deferred tax assets	34.5	36.3
TOTAL NON-CURRENT ASSETS	766.0	768.7
TOTAL ASSETS	1,268.5	1,178.7

LIABILITIES	03.31.2022	12.31.2021
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	5.9	2.0
Current portion of medium/long-term financial debts and other loans	88.5	86.9
Short-term financial debts for rights of use	17.2	17.1
Other short-term liabilities for derivative financial instruments	-	-
Trade and other payables	374.1	317.6
Tax payables	8.6	4.8
Other current liabilities	44.3	33.5
Current provisions	15.2	16.7
LIABILITIES RELATED TO ASSETS HELD FOR SALE	-	-
TOTAL CURRENT LIABILITIES	553.8	478.6
NON-CURRENT LIABILITIES		
Financial debts to bank	216.0	219.0
Non current portion of medium/long-term financial debts and other loans	74.6	74.2
Medium/long-term financial debts for right of use	53.1	54.4
Other medium/long-term financial liabilities for derivative financial instruments	-	-
Non-current provisions	55.2	56.3
Other payables	67.1	65.9
Deferred tax liabilities	25.5	25.3
TOTAL NON-CURRENT LIABILITIES	491.5	495.1
SHAREHOLDERS' EQUITY		
Share capital	62.5	62.5
Reserves and retained earnings (accumulated losses)	132.6	123.2
Group net result for the period	10.7	2.0
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	205.8	187.7
Non-controlling interests	17.4	17.3
TOTAL SHAREHOLDERS' EQUITY	223.2	205.0
TOTAL LIABILITIES AND EQUITY	1,268.5	1,178.7

SHAREHOLDERS' EQUITY

(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, 2021	187.7	17.3	205.0
Dividends	-	-	-
Currency translation differences	4.2	-	4.2
Other changes	3.2	-	3.2
Net result for the period	10.7	0.1	10.8
Balance at March 31, 2022	205.8	17.4	223.2

CONSOLIDATED INCOME STATEMENT RECLASSIFIED

(in millions of Euro)	Period		Period		Change	
	01.01 – 03.31.2022		01.01 – 03.31.2021 (*)			
	Amount	%	Amount	%	Amount	%
Sales revenues	381.1	100.0	352.8	100.0	28.3	8.0
Variable cost of sales	274.3	72.0	244.5	69.3	29.8	12.2
CONTRIBUTION MARGIN	106.8	28.0	108.3	30.7	(1.5)	(1.4)
Manufacturing and R&D overheads	30.4	8.0	31.2	8.8	(0.8)	(2.3)
Depreciation and amortization	28.8	7.5	28.3	8.0	0.5	1.9
Distribution and sales fixed expenses	7.6	2.0	7.8	2.3	(0.2)	(3.1)
Administrative and general expenses	17.8	4.7	18.0	5.1	(0.2)	(1.7)
Restructuring costs	1.9	0.5	1.3	0.4	0.6	42.5
Losses (gains) on disposal	-	-	-	-	-	-
Exchange (gains) losses	(1.2)	(0.3)	(1.6)	(0.5)	0.4	29.4
Other non-operating expenses (income)	0.3	-	(2.1)	(0.6)	2.4	(114.3)
EBIT	21.2	5.6	25.4	7.2	(4.2)	(16.7)
Financial expenses	5.1	1.4	6.1	1.8	(1.0)	(15.5)
Financial (income)	(0.6)	(0.2)	(0.3)	(0.1)	(0.3)	95.7
Losses (gains) from equity investments	-	-	-	-	-	-
RESULT BEFORE TAXES	16.7	4.4	19.6	5.5	(2.9)	(14.8)
Income taxes	5.9	1.6	6.0	1.7	(0.1)	(1.9)
NET INCOME (LOSS) OF OPERATING ACTIVITIES	10.8	2.8	13.6	3.8	(2.8)	(20.4)
Net income (loss) from discontinued operations, net of tax effects	-	-	(0.8)	(0.2)	0.8	100.0
PARTY	10.8	2.8	12.8	3.6	(2.0)	(15.4)
Loss (Income) attributable to non-controlling interests	(0.1)	-	(1.0)	(0.2)	0.9	88.0
GROUP NET RESULT	10.7	2.8	11.8	3.4	(1.1)	(9.5)

(*) The values for the first quarter of 2021, relating to “Assets held for sale”, have been reclassified following the application of IFRS 5 “Non-current assets held for sale and discontinued operations” to the line “Net income (loss) from discontinued operations, net of tax effects”.

CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)	03.31.2022	12.31.2021	03.31.2021
A. Cash	163.6	120.9	232.8
B. Cash equivalents	-	-	-
C. Other current financial assets	9.8	5.1	8.0
D. Liquidity (A) + (B) + (C)	173.4	126.0	240.8
E. Current Financial Debt (including debt instruments, but excluding current portion of non-current financial debt)	5.9	2.0	1.1
F. Current portion of non-current financial debt	105.7	104.1	164.7
G. Current financial indebtedness (E) + (F)	111.6	106.1	165.8
H. Net current financial indebtedness (G) - (D)	(61.8)	(19.9)	(75.0)
I. Non-current financial debt (excluding the current portion and debt instruments)	269.0	273.3	308.3
J. Debt instruments	74.6	74.2	95.1
K. Non-current trade and other payables	-	-	-
L. Non-current financial indebtedness (I) + (J) + (K)	343.6	347.5	403.4
M. Total financial indebtedness (H) + (L)	281.8	327.6	328.4

CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)	03.31.2022	12.31.2021	03.31.2021
SELF-FINANCING	38.4	124.6	41.3
Change in net working capital	24.0	(13.0)	9.3
Other medium/long-term assets/liabilities	2.3	28.8	6.2
CASH FLOW GENERATED BY OPERATIONS	64.7	140.4	56.8
Net decrease from sale of fixed assets	0.1	21.1	1.8
TOTAL SOURCES	64.8	161.5	58.6
TOTAL APPLICATION OF FUNDS	20.0	120.0	24.6
Net financial position of subsidiaries purchased/sold during the period	-	(5.4)	-
Exchange differences on assets/liabilities and equity	(1.1)	(3.7)	(1.6)
FREE CASH FLOW	43.7	32.4	32.4
Dividends paid by subsidiaries to non-controlling interests	-	(3.0)	(3.0)
Change in fair value of effective derivative instruments	2.1	1.1	0.3
CHANGES IN SHAREHOLDERS' EQUITY	2.1	(1.9)	(2.7)
Change in net financial position	45.8	30.5	29.7
Opening net financial position	(327.6)	(358.1)	(358.1)
CLOSING NET FINANCIAL POSITION	(281.8)	(327.6)	(328.4)

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Introduction

The consolidated Interim financial report as at March 31, 2022, 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 companies have been duly 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 2/24/98 (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 as at December 31, 2021.

3. Accounting Standards applied

The accounting standards applied in the preparation of the financial statements as at March 31, 2022 are the same as those applied to the financial statements as at December 31, 2021.

This financial information has been prepared on a going concern basis.

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

Subject: Interim financial report as at March 31, 2022

The undersigned, Mr. Yann Albrand - 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.

Milan, April 22, 2022

SOGEFI S.p.A
(Yann Albrand)