

# **INTERIM FINANCIAL REPORT AS AT MARCH 31, 2017**

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,130,356.60  
MANTOVA COMPANY REGISTER AND TAX CODE 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, 2017**

In the first quarter of 2017 the global automotive market reported an increase in production of 5.8%, with steady growth in Asia (+6.8%) and in Europe (+4.2%), a more modest increase in North America (+2.5%) and a rebound in South America (+19.1%).

In this environment, Sogefi reported **revenues** of Euro 439.1 million, up 12.6% compared to Euro 390.1 million of the first quarter of 2016 (+11% at constant exchange rates).

All geographical areas contributed to the significant growth in sales in the quarter. In Europe, revenues increased 8.2%, outperforming the reference market (+4.2%). Business continued to develop vigorously in North America (+15.4%) and in Asia (+26.4%) which together now represent 27.5% of total revenues. In South America, sales increased by 30.6%, reflecting the market rebound and the positive exchange rates (+14.1% at constant exchange rates).

All three business units reported significant growth: Air & Cooling +17.8% (+15.7% at constant exchange rates), Filtration +13.8% (+12.1% at constant exchange rates) and Suspensions +7.1% (+6% at constant exchange rates).

**EBITDA**, at Euro 45.1 million, increased 30.2% compared to Euro 34.6 million for the same period of 2016. The increase benefitted from the revenue growth and from the improvement in profitability, which increased from 8.9% to 10.3%.

The increase in profitability was due to a further improvement in the contribution margin and to the reduced impact of indirect costs. In particular, the ratio of total labour costs to revenues declined from 21.7% in first quarter 2016 to 20.5% in the same period of 2017.

**EBIT**, at Euro 26.8 million, increased by 67.5% compared to the first quarter of 2016 (Euro 16 million) and represents 6.1% of total sales.

The **result before taxes and non-controlling interests** was Euro 20.4 million (Euro 7.5 million in the first quarter of 2016), after financial expense of Euro 6.4 million, lower than the Euro 8.5 million in the same period of 2016.

The **net result** was Euro 11.6 million (Euro 2.9 million in the first quarter of 2016).

**Free Cash Flow** in first quarter of 2017 amounted to a positive Euro 6.9 million, compared to a cash flow breakeven in the same period of 2016 (Euro -0.2 million). The improvement is attributable to a better operating performance of the Group.

**Net financial debt** at March 31 2017 stood at Euro 291.4 million, showing an improvement of Euro 7.6 million versus December 31 2016 (Euro 299 million) and of Euro 31.2 million versus March 31 2016 (Euro 322.6 million).

Regarding the risks resulting from the claims made against Sogefi Air & Cooling S.A.S. (formerly Systèmes Moteurs S.A.S.), in the first quarter of 2017 there were no developments.

The Sogefi group had 6,815 employees at March 31 2017 compared to 6,801 at December 31 2016.

## **PERFORMANCE OF THE FILTRATION BUSINESS UNIT**

In the first quarter of 2017, the Filtration business unit recorded revenues of Euro 149.2 million, up by 13.8% compared to Euro 131.1 million in the first quarter of 2016, thanks to a positive contribution from all geographical areas.

**EBIT** was Euro 9.4 million, up by 64.7% compared to Euro 5.7 million in the first three months of 2016, with a ratio to sales increasing to 6.3% from 4.4% in the first quarter of 2016.

Business unit employees at March 31, 2017 were 2,748 (2,735 at December 31, 2016).

## **PERFORMANCE OF THE SUSPENSIONS BUSINESS UNIT**

In the first quarter of 2017, the Suspensions business unit recorded revenues of Euro 153.2 million, up 7.1% thanks to the positive trend in Europe (+4.3%) and the rebound in South America (+33.7%).

**EBIT** was Euro 10.2 million, up by 54.7% compared to Euro 6.6 million in the first three months of 2016, with a ratio to sales increasing to 6.7% from 4.6% in the first quarter of 2016.

Business Unit employees at March 31, 2017 were 2,617 (2,625 at December 31, 2016).

## **PERFORMANCE OF THE AIR & COOLING BUSINESS UNIT**

In the first quarter of 2017, the Air & Cooling business unit recorded revenues of Euro 137.9 million, up 17.8% compared to the same period of the previous year benefiting from the positive contribution of Europe (+14.9%) and of North America (+16.8%).

EBIT totaled Euro 10.1 million compared to Euro 5.6 million in the first quarter of 2016, with a ratio to sales increasing from 4.8% to 7.3%.

Business unit employees at March 31, 2017 were 1,391 (1,381 at December 31, 2016).

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

During the period, the **Holding Company Sogefi S.p.A.** recorded a net loss of Euro 4.3 million, (Euro -4.7 million posted in the first quarter of 2016). The change mainly comes from lower net financial expense.

## **OUTLOOK FOR THE YEAR**

For the automotive market, after a first quarter of sustained growth, the outlook for 2017 shows a positive trend, albeit at a slower pace.

Concerning Sogefi, the positive performance recorded in the first quarter confirms the projected improvement in profitability for 2017.

## **SOGEFI GROUP**

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION** (in millions of Euro)

<b>ASSETS</b>	<b>03.31.2017</b>	<b>12.31.2016</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	76.1	93.7
Other financial assets	5.2	5.9
<i>Working capital</i>		
Inventories	168.9	165.0
Trade receivables	204.7	158.5
Other receivables	8.1	6.8
Tax receivables	20.9	24.2
Other assets	5.9	3.6
<b>TOTAL WORKING CAPITAL</b>	<b>408.5</b>	<b>358.1</b>
<b>TOTAL CURRENT ASSETS</b>	<b>489.8</b>	<b>457.7</b>
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
Land	12.8	12.8
Property, plant and equipment	242.5	243.3
Other tangible fixed assets	6.2	6.4
<i>Of wich: leases</i>	7.6	8.1
Intangible assets	280.4	281.7
<b>TOTAL FIXED ASSETS</b>	<b>541.9</b>	<b>544.2</b>
<b>OTHER NON-CURRENT ASSETS</b>		
Investments in joint ventures	-	-
Other financial assets available for sale	0.1	-
Non-current trade receivables	-	-
Financial receivables	14.6	15.8
Other receivables	30.5	29.8
Deferred tax assets	54.1	56.8
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>99.3</b>	<b>102.4</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>641.2</b>	<b>646.6</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>3.4</b>	<b>3.4</b>
<b>TOTAL ASSETS</b>	<b>1,134.4</b>	<b>1,107.7</b>

<b>LIABILITIES</b>	<b>03.31.2017</b>	<b>12.31.2016</b>
<b>CURRENT LIABILITIES</b>		
Bank overdrafts and short-term loans	22.3	11.0
Current portion of medium/long-term financial debts and other loans	110.3	137.2
<i>Of which: leases</i>	1.7	1.7
<b>TOTAL SHORT-TERM FINANCIAL DEBTS</b>	<b>132.6</b>	<b>148.2</b>
Other short-term liabilities for derivative financial instruments	0.5	0.4
<b>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>133.1</b>	<b>148.6</b>
Trade and other payables	370.9	339.1
Tax payables	10.9	8.7
Other current liabilities	9.8	8.2
<b>TOTAL CURRENT LIABILITIES</b>	<b>524.7</b>	<b>504.6</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Financial debts to bank	39.1	48.3
Other medium/long-term financial debts	208.9	209.9
<i>Of which: leases</i>	8.5	9.0
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</b>	<b>248.0</b>	<b>258.2</b>
Other medium/long term financial liabilities for derivative financial instruments	6.3	7.6
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>254.3</b>	<b>265.8</b>
<b>OTHER LONG-TERM LIABILITIES</b>		
Long-term provisions	91.3	89.3
Other payables	15.5	15.0
Deferred tax liabilities	44.8	44.0
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>151.6</b>	<b>148.3</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>405.9</b>	<b>414.1</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	62.1	62.1
Reserves and retained earnings (accumulated losses)	112.8	101.5
Group net result for the period	11.6	9.3
<b>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY</b>	<b>186.5</b>	<b>172.9</b>
Non-controlling interests	17.3	16.1
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>203.8</b>	<b>189.0</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,134.4</b>	<b>1,107.7</b>

## CONSOLIDATED INCOME STATEMENT FROM 1.1.2017 TO 3.31.2017

(in millions of Euro)	Period		Period		Change	
	01.01 – 03.31.2017		01.01 – 03.31.2016			
	Amount	%	Amount	%	Amount	%
Sales revenues	439.1	100.0	390.1	100.0	49.0	12.6
Variable cost of sales	314.1	71.5	280.9	72.0	33.2	11.8
<b>CONTRIBUTION MARGIN</b>	<b>125.0</b>	<b>28.5</b>	<b>109.2</b>	<b>28.0</b>	<b>15.8</b>	<b>14.5</b>
Manufacturing and R&D overheads	39.9	9.1	36.3	9.3	3.6	10.0
Depreciation and amortization	17.9	4.1	16.6	4.3	1.3	7.9
Distribution and sales fixed expenses	11.2	2.5	11.5	2.9	(0.3)	(2.6)
Administrative and general expenses	19.1	4.3	18.1	4.7	1.0	5.2
Restructuring costs	4.6	1.1	1.9	0.5	2.7	147.0
Losses (gains) on disposal	(0.1)	-	-	-	(0.1)	-
Exchange losses (gains)	(0.2)	-	1.1	0.3	(1.3)	(115.3)
Other non-operating expenses (income)	5.8	1.3	7.7	1.9	(1.9)	(24.8)
- of which not ordinary	0.7		2.0		(1.3)	
<b>EBIT</b>	<b>26.8</b>	<b>6.1</b>	<b>16.0</b>	<b>4.1</b>	<b>10.8</b>	<b>67.5</b>
Financial expenses (income), net	6.4	1.4	8.5	2.2	(2.1)	(25.1)
Losses (gains) from equity investments	-	-	-	-	-	-
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>	<b>20.4</b>	<b>4.7</b>	<b>7.5</b>	<b>1.9</b>	<b>12.9</b>	<b>171.4</b>
Income taxes	7.7	1.8	3.4	0.9	4.3	129.5
<b>NET RESULT BEFORE NON-CONTROLLING INTERESTS</b>	<b>12.7</b>	<b>2.9</b>	<b>4.1</b>	<b>1.0</b>	<b>8.6</b>	<b>205.2</b>
Loss (income) attributable to non-controlling interests	(1.1)	(0.3)	(1.2)	(0.3)	0.1	10.4
<b>GROUP NET RESULT</b>	<b>11.6</b>	<b>2.6</b>	<b>2.9</b>	<b>0.8</b>	<b>8.7</b>	<b>296.8</b>

## CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)	03.31.2017	12.31.2016	03.31.2016
A. Cash	76.1	93.7	122.9
B. Other cash at bank and on hand (held to maturity investments)	4.0	4.0	4.0
C. Financial instruments held for trading	-	-	-
<b>D. Liquid funds (A) + (B) + (C)</b>	<b>80.1</b>	<b>97.7</b>	<b>126.9</b>
<b>E. Current financial receivables</b>	<b>1.2</b>	<b>1.9</b>	<b>1.1</b>
F. Current payables to banks	(22.3)	(11.0)	(25.3)
G. Current portion of non-current indebtedness	(110.3)	(137.2)	(101.1)
H. Other current financial debts	(0.5)	(0.4)	(0.3)
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>(133.1)</b>	<b>(148.6)</b>	<b>(126.7)</b>
<b>J. Current financial indebtedness, net (I) + (E) + (D)</b>	<b>(51.8)</b>	<b>(49.0)</b>	<b>1.3</b>
K. Non-current payables to banks	(39.1)	(48.3)	(107.6)
L. Bonds issued	(199.8)	(200.2)	(205.1)
M. Other non-current financial debts	(15.3)	(17.3)	(19.7)
N. Convertible bond embedded derivative liability	-	-	-
<b>O. Non-current financial indebtedness (K) + (L) + (M) + (N)</b>	<b>(254.2)</b>	<b>(265.8)</b>	<b>(332.4)</b>
<b>P. Net indebtedness (J) + (O)</b>	<b>(306.0)</b>	<b>(314.8)</b>	<b>(331.1)</b>
Non-current financial receivables	14.6	15.8	8.5
<b>Financial indebtedness, net including non-current financial receivables</b>	<b>(291.4)</b>	<b>(299.0)</b>	<b>(322.6)</b>

## CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)	March 31, 2017	December 31, 2016	March 31, 2016
SELF-FINANCING	36.4	109.1	21.2
Change in net working capital	(14.1)	(2.1)	(7.0)
Other medium/long-term assets/liabilities	0.4	17.5	1.9
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>22.7</b>	<b>124.5</b>	<b>16.1</b>
Net decrease from sale of fixed assets	0.3	0.3	-
TOTAL SOURCES	23.0	124.8	16.1
Increase in intangible assets	6.8	30.3	7.4
Purchase of tangible assets	7.8	58.8	8.7
TOTAL APPLICATION OF FUNDS	14.6	89.1	16.1
Exchange differences on assets/liabilities and equity	(1.5)	(4.5)	(0.2)
<b>FREE CASH FLOW</b>	<b>6.9</b>	<b>31.2</b>	<b>(0.2)</b>
Holding Company increases in capital	0.3	0.8	-
Increase in share capital of consolidated subsidiaries	-	0.2	0.1
Dividends paid by subsidiaries to non-controlling interests	-	(8.2)	-
Change in fair value of effective derivative instruments	0.4	(0.7)	(0.2)
CHANGES IN SHAREHOLDERS' EQUITY	0.7	(7.9)	(0.1)
<b>Change in net financial position</b>	<b>7.6</b>	<b>23.3</b>	<b>(0.3)</b>
<b>Opening net financial position</b>	<b>(299.0)</b>	<b>(322.3)</b>	<b>(322.3)</b>
<b>CLOSING NET FINANCIAL POSITION</b>	<b>(291.4)</b>	<b>(299.0)</b>	<b>(322.6)</b>



## **CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1. INTRODUCTION**

The consolidated Interim financial report as at March 31, 2017, which has not been externally audited, has been prepared in compliance with International Accounting Standards (IAS/IFRS) and to this end, the financial statements of consolidated investee companies have been appropriately reclassified and adjusted.

The interim financial report has been drawn up in accordance with the provisions of art. 154-ter, paragraph 5 of Legislative Decree no. 58 of 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, 2016.

### **3. ACCOUNTING STANDARDS APPLIED**

The accounting standards applied in the preparation of the financial statements as at March 31, 2017 are the same as those applied to the financial statements as at December 31, 2016.

## COMMENTS ON THE FINANCIAL STATEMENTS

Changes in the Group's consolidated shareholders' equity and in total shareholders' equity during the first quarter of 2017 are as follows:

(in millions of Euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to non-controlling interests	Total Group and non-controlling shareholders' equity
Balance at December 31, 2016	172.9	16.1	189.0
Paid share capital increase	0.3	-	0.3
Dividends	-	-	-
Currency translation differences and other changes	1.7	0.1	1.8
Net result for the period	11.6	1.1	12.7
Balance at March 31, 2017	186.5	17.3	203.8

At March 31 2017 **shareholders' equity** excluding minority interests amounted to Euro 186.5 million (Euro 172.9 million at December 31 2016).

## REVENUE TREND

In the first quarter of 2017, Sogefi reported growth in revenues of 12.6% to Euro 439.1 million (+11% at constant exchange rates).

## REVENUES BY BUSINESS UNIT

(in millions of Euro)	03.31.2017		03.31.2016		Change	
	Amount	%	Amount	%	Amount	%
Suspensions	153.2	34.9	143.1	36.7	10.1	7.1
Filtration	149.2	34.0	131.1	33.6	18.1	13.8
Air&Cooling	137.9	31.4	117.0	30.0	20.9	17.8
Intercompany eliminations	(1.2)	(0.3)	(1.1)	(0.3)	(0.1)	9.1
TOTAL	439.1	100.0	390.1	100.0	49.0	12.6

In the first quarter of 2017 Suspensions sales increased by 7.1%, Air &Cooling by 17.8%, while Filtration sales registered a growth of 13.8%.

At constant exchange rates, all business units showed increasing revenues in the quarter: Suspensions sales rose by 6%, Filtration sales were up by 12.1% and Air & Cooling sales increased by 15.7%.

## REVENUE BY GEOGRAPHICAL AREA

The breakdown of revenues by business area is as follows:

(in millions of Euro)	03.31.2017		03.31.2016		Change	
	Amount	%	Amount	%	Amount	%
Europe	274.0	62.4	253.2	64.9	20.8	8.2
South America	48.9	11.1	37.5	9.6	11.4	30.6
North America	81.2	18.5	70.3	18.0	10.9	15.4
Asia	39.5	9.0	31.3	8.0	8.2	26.4
Intercompany eliminations	(4.5)	(1.0)	(2.2)	(0.5)	-	-
TOTAL	439.1	100.0	390.1	100.0	49.0	12.6

European markets account for 62.4% of Group revenues during the first three months of 2017. The weight of the North American and Asian markets increased by 0.5 and 1 percentage points respectively compared to the same period of 2016, representing now 27.5% of total revenues. South America in the first quarter of 2017 accounts for 11.1% of total sales.

## EMPLOYEES

	03.31.2017	12.31.2016	03.31.2016
Managers	111	106	111
Clerical staff	1,861	1,874	1,877
Blue collar workers	4,843	4,821	4,793
TOTAL	6,815	6,801	6,781

The Sogefi group had 6,815 employees at March 31 2017 compared to 6,801 at December 31 2016.

Milan, April 26, 2017

THE BOARD OF DIRECTORS

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

**Subject: Interim financial report as at March 31, 2017**

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 26, 2017

SOGEFI S.p.A.  
(Yann Albrand)