2018 HALF-YEAR FINANCIAL STATEMENTS
(Translation into English of the original Italian version)

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
COMPANY REGISTER OF MILAN MONZA-BRIANZA LODI AND TAX NO. 00607460201
COMPANY SUBJECT TO MANAGEMENT AND COORDINATION BY CIR S.p.A.
REGISTERED OFFICE: 20121 MILAN (ITALY), VIA CIOVASSINO, 1/A - PHONE 02.467501
OFFICES: 78286 GUYANCOURT (FRANCE), PARC ARIANE IV- 7 AVENUE DU 8 MAI 1945 PHONE 0033 01 61374300
WEBSITE: WWW.SOGEFIGROUP.COM

CONTENTS

BOARD OF DIRECTORS

Honorary Chairman	CARLO DE BENEDETTI
Chairman	MONICA MONDARDINI(1)
Managing Director and General Manager	LAURENT HEBENSTREIT(1)
Directors	PATRIZIA CANZIANI (3) RODOLFO DE BENEDETTI ROBERTA DI VIETO (3) - (4) GIOVANNI GERMANO (2) MAURO MELIS (2) RAFFAELLA PALLAVICINI PAOLO RICCARDO ROCCA (2) - (3) - (4) - (5)
Secretary to the Board	NICCOLO' MORESCHINI

BOARD OF STATUTORY AUDITORS

Chairman	SONIA PERON
Acting Auditors	RICCARDO ZINGALES GIUSEPPE LEONI
Alternate Auditors	ANNA MARIA ALLIEVI MAURO GIRELLI BARBIERI DAVIDE

INDEPENDENT AUDITORS

KPMG S.p.A.

Disclosure under Consob Recommendation no. 97001574 of 20 February 1997:

(1) Powers as per Corporate Governance.
(2) Members of the Appointment and Remuneration Committee.
(3) Members of the Control and Risk Committee and of the Committee for Related Party Transactions.
(4) Members of the Supervisory Body (Italian Legislative Decree no. 231/2001).
(5) *Lead independent director.*

BOARD OF DIRECTORS' REPORT
ON OPERATIONS OF THE SOGEFI GROUP
IN THE FIRST HALF YEAR

This semi-annual financial report contains the financial statements, the consolidated explanatory notes of the Group, and the financial statements of the Holding Company (the latter submitted voluntarily, although not provided for Italian Legislative Decree no. 195 of 6 November 2007), prepared in accordance with International Accounting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") approved by the European Union and prepared according to IAS 34 applicable on interim financial reporting.

INFORMATION ON OPERATIONS

In the first half of 2018, the world's automotive market saw a 1.7% increase in production. Production grew in Europe (+1.8%), Asia (+4.2% thanks to the recovery of the Chinese market) and South America (+10.7%).
By contrast, in North America production was again down (-2.9% in the first six months).

Before the presentation of the results of Sogefi in the first half of 2018, it is worth noting that from 1 January 2018 there was a change in the accounting standards for the recognition of revenues, deriving from the new accounting standard "IFRS 15 - Revenue from contracts with customers". For the purpose of a correct analysis of the evolution of the results, the values for the previous year have been recalculated on the basis of the new accounting standard.

Moreover, the strong fluctuation in the exchange rates of currencies other than the Euro in which the Group operates (all of which were significantly devaluated) had a significant impact on the evolution of the key economic indicators and in particular on revenue.

In this context, Sogefi recorded **revenues** of Euro 839.1 million, an increase of 3.2% at constant exchange rates and a decrease of 2.1% at historical exchange rates, compared to the same period of 2017.

The business grew slightly in Europe and North America compared to the previous year (+0.7% and +1.6%, respectively, at constant exchange rates) and significantly increased in Asia and South America (+10% and +13.5%, respectively, at constant exchange rates), recording higher growth than the market.

The table below shows a breakdown of sales by key markets.

(in millions of Euro)	*1st half 2018*		*1st half 2017*		*% change 1h 18/1h 17*	*% change 1h 18/1h 17 constant*
	Amount	*%*	*Amount*	*%*		
Europe	532.2	63.4	529.9	61.8	0.4	0.7
North America	145.0	17.3	156.5	18.3	(7.3)	1.6
South America	85.9	10.2	100.0	11.7	(14.1)	13.5
Asia	82.4	9.8	79.8	9.3	3.3	10.0
Intercompany eliminations	(6.4)	(0.7)	(8.7)	(1.1)	(26.4)	-
TOTAL	839.1	100.0	857.5	100.0	(2.1)	3.2

Suspension recorded a 7.1% growth at constant exchange rates (1.9% at current exchange rates due to the devaluation mainly of South American currencies), Filtration reported a 2.7% increase at constant exchange rates (-4% at current exchange rates due to the devaluation mainly of South American currencies) and finally Air and Cooling recorded a 1.2% decrease at constant exchange rates (-5.1% at current exchange rates, affected both by the drop in car production and by the trend of the Canadian dollar).

(in millions of Euro)	*1st half 2018*		*1st half 2017*		*% change 1h 18/1h 17*	*% change 1h 18/1h 17 constant*
	Amount	*%*	*Amount*	*%*		
Suspensions	314.7	37.5	308.7	36.0	1.9	7.1
Filtration	277.2	33.0	288.6	33.6	(4.0)	2.7
Air&Cooling	248.9	29.7	262.3	30.6	(5.1)	(1.2)
Intercompany eliminations	(1.7)	(0.2)	(2.1)	(0.2)	(19.0)	-
TOTAL	839.1	100.0	857.5	100.0	(2.1)	3.2

Sogefi's key customers are Renault/Nissan, PSA, FCA, Ford, Daimler and GM which overall account for 63.5% of revenues (65% in the first half of 2017).

(in millions of Euro)	1st half 2018		1st half 2017		*% change*
Group	*Amount*	*%*	*Amount*	*%*	*1h 18/1h 17*
Renault/Nissan	100.7	12.0	100.4	11.7	0.3
PSA	96.8	11.5	91.9	10.7	5.3
FCA/CNH Industrial	94.2	11.2	107.2	12.5	(12.1)
Ford	93.5	11.1	107.8	12.6	(13.2)
Daimler	75.4	9.0	68.4	8.0	10.2
GM	72.2	8.6	81.5	9.5	(11.4)
Volkswagen/Audi	42.4	5.1	36.2	4.2	17.1
Toyota	25.4	3.0	26.1	3.0	(2.6)
BMW	22.1	2.6	23.0	2.7	(3.9)
Other (including Aftermarket)	216.4	25.9	215.0	25.1	0.6
TOTAL	839.1	100.0	857.5	100.0	(2.1)

The following table provides comparative figures of the income statement for the first half of the year 2018 and the corresponding period of the previous year.

(in millions of Euro)	*1st half 2018*		*1st half 2017*		*Year 2017*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	839.1	100.0	857.5	100.0	1,647.8	100.0
Variable cost of sales	583.8	69.6	586.9	68.4	1,128.3	68.5
CONTRIBUTION MARGIN	255.3	30.4	270.6	31.6	519.5	31.5
Manufacturing and R&D overheads	77.0	9.1	80.3	9.4	157.4	9.5
Depreciation and amortization	56.0	6.7	56.4	6.6	110.0	6.7
Distribution and sales fixed expenses	21.5	2.6	22.7	2.6	44.3	2.7
Administrative and general expenses	45.1	5.4	44.8	5.2	88.8	5.4
Restructuring costs	2.7	0.3	6.0	0.7	11.3	0.7
Losses (gains) on disposal	(0.1)	-	(0.2)	-	-	-
Exchange (gains) losses	3.0	0.3	0.6	0.1	3.2	0.2
Other non-operating expenses (income)	5.7	0.7	10.8	1.3	18.7	1.1
EBIT	44.4	5.3	49.2	5.7	85.8	5.2
Financial expenses (income), net	13.5	1.6	12.8	1.5	31.7	1.9
Losses (gains) from equity investments	-	-	-	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	30.9	3.7	36.4	4.2	54.1	3.3
Income taxes	11.8	1.4	14.9	1.7	23.4	1.4
NET RESULT BEFORE NON-CONTROLLING INTERESTS	19.1	2.3	21.5	2.5	30.7	1.9
Loss (income) attributable to non-controlling interests	(2.1)	(0.3)	(2.1)	(0.2)	(4.1)	(0.2)
GROUP NET RESULT	17.0	2.0	19.4	2.3	26.6	1.7

EBITDA[1] amounted to Euro 104.0 million, down with respect to the first half of 2017 (Euro 114.0 million). The reduction is due to the evolution of exchange rates (with a total effect of Euro 5.4 million) and the negative impact of steel price increases (Euro 6.0 million) in Suspension.
Profitability (EBITDA/Turnover) was down from 13.3% to 12.4%.

EBIT was Euro 44.4 million, down from Euro 49.2 million in the first half of 2017 and accounts for 5.3% of revenues (5.7% in the first half of 2017). The first half year result for 2017 included also Euro 6.0 million writedowns on fixed assets in Brazil.

The **profit before taxes and minority interests** in 2018 was at Euro 30.9 million (Euro 36.4 million in the first half of 2017), after financial expenses of Euro 13.5 million (Euro 12.8 million in 2017).

Net profit was Euro 17.0 million, compared with Euro 19.4 million in the first half of 2017 (2% of revenues vs 2.3% in 2017), after tax of Euro 11.8 million in 2018 compared with Euro 14.9 million in the previous year.

As for the risks concerning the claims of Sogefi Air & Cooling S.A.S. (ex Systèmes Moteurs S.A.S.), the situation was unchanged in the first half of 2018[2].

[1] EBITDA is calculated by adding to "EBIT" the item "Depreciation and amortization" and the amount of writedowns of tangible and intangible assets posted in "Other non-operating expenses (income)" for Euro 3.6 million in the first half of 2018 (Euro 8.5 million in the corresponding period last year).

[2] For more details see the "Explanatory and Supplementary Notes to the Condensed Interim Consolidated Financial Statements", Note 2, "Principles of consolidation and valuation criteria".

As at 30 June 2018, the Sogefi Group's **workforce** was 7,040 (6,947 as at 31 December 2017).

	June 30, 2018		December 31, 2017		June 30, 2017	
	Number	%	Number	%	Number	%
Managers	107	1.5	115	1.6	111	1.6
Clerical staff	1,935	27.5	1,908	27.5	1,871	27.5
Blue collar workers	4,998	71.0	4,924	70.9	4,817	70.9
TOTAL	7,040	100.0	6,947	100.0	6,799	100.0

As at 30 June 2018 shareholders' equity, excluding minority interests, was Euro 190.8 million (Euro 177.4 million as at 31 December 2017) as shown in the table below.

(in millions of Euro)	Note*	June 30, 2018		December 31, 2017		June 30, 2017	
		Amount	%	Amount	%	Amount	%
Short-term operating assets	(a)	352.7		327.8		353.2	
Short-term operating liabilities	(b)	(446.5)		(430.5)		(420.2)	
Net working capital		(93.8)	(19.9)	(102.7)	(22.4)	(67.0)	(14.2)
Equity investments	(c)	-	-	-	-	0.1	-
Intangible, tangible fixed assets and other medium and long-term assets	(d)	759.7	161.5	761.4	165.8	740.6	157.1
CAPITAL INVESTED		665.9	141.6	658.7	143.4	673.7	142.9
Other medium and long-term liabilities	(e)	(195.6)	(41.6)	(199.6)	(43.4)	(202.2)	(42.9)
NET CAPITAL INVESTED		470.3	100.0	459.1	100.0	471.5	100.0
Net financial indebtedness		259.6	55.2	264.0	57.5	280.4	59.5
Non-controlling interests		19.9	4.2	17.7	3.9	15.7	3.3
Consolidated equity of the Group		190.8	40.6	177.4	38.6	175.4	37.2
TOTAL		470.3	100.0	459.1	100.0	471.5	100.0

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

The net financial position as at 30 June 2018 was Euro 259.6 million, showing a year-over-year increase of Euro 4.4 million (Euro 264.0 million as at 31 December 2017) and was down by Euro 20.8 million when compared to 30 June 2017 (Euro 280.4 million).

Free Cash Flow was a positive Euro 3.9 million in the first half year 2018, lower compared to Euro 19.0 million in the same period of 2017. The drop is linked to the decrease in Ebitda and the cash consumption deriving from the start-up of the new plant in Morocco (about Euro 9 million) which will be operating in the fourth quarter of 2018.

The table below shows a breakdown of the cash flows of the period compared with first half and full year 2017:

(in millions of Euro)	Note*	*1st half 2018*	*1st half 2017*	*Year 2017*
SELF-FINANCING	(f)	81.7	92.4	165.8
Change in net working capital		(11.8)	(15.1)	9.3
Other medium/long-term assets/liabilities	(g)	(3.6)	0.8	1.8
CASH FLOW GENERATED BY OPERATIONS		**66.3**	**78.1**	**176.9**
Sale of equity investments	(h)	-	-	-
Net decrease from sale of fixed assets	(i)	0.3	0.2	0.5
TOTAL SOURCES		66.6	78.3	177.4
Increase in intangible assets		18.0	17.5	40.0
Purchase of tangible assets		45.1	41.4	104.2
TOTAL APPLICATION OF FUNDS		63.1	58.9	144.2
Exchange differences on assets/liabilities and equity	(l)	0.4	(0.4)	1.2
FREE CASH FLOW		**3.9**	**19.0**	**34.4**
Holding Company increases in capital		0.2	0.9	1.3
Increases in share capital of consolidated subsidiaries		0.1	0.1	0.2
Dividends paid by subsidiaries to non-controlling interests		-	(2.6)	(2.6)
Change in fair value derivative instruments		0.2	1.2	1.7
CHANGES IN SHAREHOLDERS' EQUITY		0.5	(0.4)	0.6
Change in net financial position	(m)	**4.4**	**18.6**	**35.0**
Opening net financial position	(m)	**(264.0)**	**(299.0)**	**(299.0)**
CLOSING NET FINANCIAL POSITION	(m)	**(259.6)**	**(280.4)**	**(264.0)**

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

Net financial indebtedness is mainly comprised of medium and long-term debts, which account for 79% of gross indebtedness as shown below:

(in millions of Euro)	*June 30, 2018*	*December 31, 2017*	*June 30, 2017*
Cash, banks, financial receivables and securities held for trading	106.0	105.5	76.4
Medium/long-term financial receivables	2.6	2.2	6.8
Short-term financial debts (*)	(78.3)	(83.4)	(81.3)
Medium/long-term financial debts	(289.9)	(288.3)	(282.3)
NET FINANCIAL POSITION	(259.6)	(264.0)	(280.4)

(*) Including current portions of medium/long-term financial debts

RECONCILIATION BETWEEN THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a reconciliation of the Group's net result and equity at the end of the year with the equivalent figures for the Holding Company.

Net profit for the period

(in millions of Euro)	*1st half 2018*	*1st half 2017*
Net profit per Sogefi S.p.A. financial statements	24.2	21.5
Group share of results of subsidiary companies included in the consolidated financial statements	28.5	30.1
Elimination of Sogefi S.p.A. dividends	(33.9)	(32.4)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	(1.8)	0.2
NET PROFIT PER CONSOLIDATED FINANCIAL STATEMENTS	17.0	19.4

Shareholders' equity

(in millions of Euro)	*June 30, 2018*	*December 31, 2017*
Shareholders' equity per Sogefi S.p.A. financial statements	240.5	214.5
Group share of excess equity value of investments in consolidated companies over carrying value in Sogefi S.p.A. financial statements	(49.1)	(38.5)
Elimination of unrealized gains deriving from intercompany transactions and other consolidation adjustments, net of the related deferred taxation	(0.6)	1.4
SHAREHOLDERS' EQUITY PER CONSOLIDATED FINANCIAL STATEMENTS	190.8	177.4

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

Net result in the first half of 2018 amounted to Euro 24.2 million compared to Euro 21.5 million in the corresponding period of the previous year.
The increase over the first half of 2017 was primarily attributable to the increased flow of dividends from subsidiaries (Euro +1.5 million) and lower non-operating expenses (Euro 1 million).

(in millions of Euro)	*1st half 2018*	*1st half 2017*	*Year 2017*
Financial income/expenses and dividends	26.3	24.8	16.8
Adjustments to financial assets	-	-	(0.8)
Other operating revenues	6.3	7.0	14.0
Operating costs	(8.8)	(9.6)	(17.6)
Other non-operating income (expenses)	(0.7)	(1.7)	(3.3)
RESULT BEFORE TAXES	23.1	20.5	9.1
Income taxes	(1.1)	(1.0)	(2.4)
NET RESULT	24.2	21.5	11.5

The following table shows the main items of the statement of financial position as at 30 June 2018, compared with the figures as at 31 December 2017 and 30 June 2017:

(in millions of Euro)	Note*	*June 30, 2018*	*December 31, 2017*	*June 30, 2017*
Short-term assets	(n)	7.2	14.1	8.7
Short-term liabilities	(o)	(5.7)	(7.0)	(7.9)
Net working capital		1.5	7.1	0.8
Equity investments	(p)	416.0	415.8	416.4
Other fixed assets	(q)	48.4	50.2	55.6
CAPITAL INVESTED		465.9	473.1	472.8
Other medium and long-term liabilities	(r)	(1.6)	(0.8)	(1.1)
NET CAPITAL INVESTED		464.3	472.3	471.7
Net financial indebtedness		223.8	257.8	249.3
Shareholders' equity		240.5	214.5	222.4
TOTAL		464.3	472.3	471.7

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

"Net working capital" decreased by Euro 5.6 million compared to 31 December 2017, mainly due to the payments from the Holding company CIR S.p.A. of net receivables of Euro 3.7 million from the tax filing system and Euro 3.3 million received from the French subsidiary Sogefi Gestion S.A.S. referred to the transfer of IT applications that took place at 31 December 2017.

“Shareholders’ equity” as at 30 June 2018 amounts to Euro 240.5 million, up from Euro 214.5 million as at 31 December 2017, mainly thanks to the results of the year.

The following table shows the main items of the statement of financial position of the Company as at 30 June 2018, compared with the figures as at 31 December 2017 and 30 June 2017:

(in millions of Euro)	*June 30, 2018*	*December 31, 2017*	*June 30, 2017*
Short-term cash investments	43.4	36.3	19.6
Short/medium-term financial receivables to third and subsidiaries	130.5	96.0	137.4
Short-term financial debts (*)	(122.6)	(120.1)	(149.5)
Medium/long-term financial debts	(275.1)	(270.0)	(256.8)
NET FINANCIAL POSITION	(223.8)	(257.8)	(249.3)

(*) Including current portions of medium/long-term financial debts

The item "Medium/long-term financial receivables to third and subsidiaries" includes the receivable of Euro 18 million as at 30 June 2018 for dividends resolved by French subsidiary Sogefi Suspensions S.A., the collection of which is scheduled within the second half year.

The table below illustrates the cash flow statement of Sogefi S.p.A.:

(in millions of Euro)	Note*	*1st half 2018*	*1st half 2017*	*Year 2017*
SELF-FINANCING	(s)	26.7	23.8	18.3
Change in net working capital	(t)	5.6	4.2	(2.0)
Other medium/long term assets/liabilities	(u)	1.7	1.4	2.7
CASH FLOW GENERATED BY OPERATIONS		**34.0**	**29.4**	**19.0**
Sale of equity investments		-	0.4	0.4
Sale of intangible assets		-	-	3.2
TOTAL SOURCES		34.0	29.8	22.6
Increase in intangible assets		0.2	0.9	3.1
Purchase of tangible assets		-	-	-
Purchase of equity investments		0.2	0.2	0.3
TOTAL APPLICATION OF FUNDS		0.4	1.1	3.4
FREE CASH FLOW		**33.6**	**28.7**	**19.2**
Holding Company increases in capital		0.2	0.9	1.3
Net purchase of treasury shares		0.2	1.2	1.8
Dividends paid by the Holding Company		0.4	2.1	3.1
CHANGES IN SHAREHOLDERS' EQUITY		**34.0**	**30.8**	**22.3**
Opening net financial position	(v)	**(257.8)**	**(280.1)**	**(280.1)**
CLOSING NET FINANCIAL POSITION	(v)	**(223.8)**	**(249.3)**	**(257.8)**

(*) See the notes at the end of this report for a detailed explanation of the reasons for the reclassifications that we have made.

The net indebtedness as at 30 June 2018 was Euro 233.8 million, showing a decrease compared to 31 December 2017 (Euro 257.8 million) and 30 June 2017 (Euro 249.3 million).

Free cash flow generated in the first half of 2018 was positive at Euro 33.6 million, compared to Euro 28.7 million in the first half of 2017. The increase was mainly generated by the improved result for the period and by a better administration of working capital that allowed this generation of cash.

PERFORMANCE OF THE FILTRATION BUSINESS UNIT

In the first half of 2018, the Filtration business unit reported revenues of Euro 277.2 million, down by 4%, but up by 2.7% at constant exchange rates. At constant exchange rates, dynamic trends are recorded in Asia, South and North America.

The EBIT amounted to Euro 18.1 million, compared to Euro 13.0 million in the first six months of 2017, with an increase in the impact of revenue at 6.5%, from 4.5% of the corresponding period of the previous year.

Employees of the business unit at 30 June 2018 were 2,973 (2,831 at 31 December 2017).

PERFORMANCE OF THE SUSPENSION BUSINESS UNIT

In the first six months of 2018, the Suspension business unit reported revenues of Euro 314.7 million, up by 1.9% (+7.1% at constant exchange rates), with a positive trend in all geographical areas except for China.

The EBIT amounted to Euro 13.2 million, down compared to Euro 22.6 million in the first six months of 2017, with an impact of revenue of 4.2% (7.3% in the first half of 2017). The reduction in the result is due to the significant increase in the purchase price of steel, which was only partially transferred to sales prices.

Employees of the business unit at 30 June 2018 were 2,593 (2,623 at 31 December 2017).

PERFORMANCE OF THE AIR AND COOLING BUSINESS UNIT

In the first six months of 2018, the Air and Cooling business unit reported revenues of Euro 248.9 million, down by 5.1% (-1.2% at constant exchange rates) compared with the same period of the previous year. In addition to foreign exchange rates, the business unit's revenues were affected by the weakness of the European and North American markets.

The EBIT amounted to Euro 17.6 million, compared with Euro 17.1 million in the first six months of 2017, with an increase in the impact of revenue from 6.5% in the first six months of 2017 to 7.1%.

Employees of the business unit at 30 June 2018 were 1,414 (1,431 at 31 December 2017).

PERFORMANCE IN THE SECOND QUARTER OF 2018

The following table provides comparative figures of the income statement for the second quarter and the same prior year period.

(in millions of Euro)	*Period 4.1 - 6.30.2018*		*Period 4.1 - 6.30.2017*		*Change*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	418.0	100.0	424.8	100.0	(6.8)	(1.6)
Variable cost of sales	290.5	69.5	289.0	68.0	1.5	0.6
CONTRIBUTION MARGIN	127.5	30.5	135.8	32.0	(8.3)	(6.2)
Manufacturing and R&D overheads	37.8	9.1	40.5	9.5	(2.7)	(6.4)
Depreciation and amortization	28.7	6.8	27.9	6.6	0.8	2.5
Distribution and sales fixed expenses	11.2	2.7	11.6	2.7	(0.4)	(3.3)
Administrative and general expenses	22.9	5.5	22.5	5.3	0.4	1.6
Restructuring costs	1.6	0.4	1.3	0.3	0.3	20.5
Losses (gains) on disposal	(0.1)	-	(0.1)	-	-	-
Exchange (gains) losses	2.3	0.5	0.8	0.2	1.5	-
Other non-operating expenses (income)	4.3	1.0	8.2	2.0	(3.9)	(47.7)
EBIT	18.8	4.5	23.1	5.4	(4.3)	(18.7)
Financial expenses (income), net	6.7	1.6	6.4	1.5	0.3	3.1
Losses (gains) from equity investments	-	-	-	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	12.1	2.9	16.7	3.9	(4.6)	(27.2)
Income taxes	6.1	1.5	7.3	1.7	(1.2)	(17.4)
NET RESULT BEFORE NON-CONTROLLING INTERESTS	6.0	1.4	9.4	2.2	(3.4)	34.8
Loss (income) attributable to non-controlling interests	(1.0)	(0.2)	(1.1)	(0.2)	0.1	(4.1)
GROUP NET RESULT	5.0	1.2	8.3	2.0	(3.3)	(39.5)

In the second quarter of 2018, Sogefi posted revenue drop of 1.6% (+3.5% at constant exchange rates) amounting to Euro 418.0 million and a decrease in the contribution margin from 32% to 30.5% of revenues.

EBITDA amounted to Euro 50.9 million (Euro 59.2 million in the corresponding period of 2017). Lower profitability is mainly a result of the increase in steel purchase price, increase in labour cost for the start-up of the new plant in Morocco and increase in non-operating costs for foreign exchange differences.

EBIT amounts to Euro 18.8 million (Euro 23.1 million in the second quarter of 2017).

The result before taxes and minority interests was a positive Euro 12.1 million (Euro 16.7 million in the second quarter 2017), after financial expenses of Euro 6.7 million (Euro 6.4 million in the same period of the previous year).

The Group's **net result** in the second quarter 2018 was positive at Euro 5.0 million (Euro 8.3 million in the same period of the previous year).

INVESTMENTS AND RESEARCH & DEVELOPMENT ACTIVITIES

The investments totalled Euro 63.1 million in the first half year 2018 (Euro 58.9 million in the first half of the previous year). In detail, investment in tangible fixed assets amounted to Euro 45.1 million (Euro 41.4 million in the first half year 2017) and investment in intangible fixed assets amounted to Euro 18.0 million (Euro 17.5 million in the first half year 2017).
As for material investments, these were mainly geared to increasing production capacity, industrialisation of new products, improvement of industrial processes and productivity growth.

TREASURY SHARES

As at 30 June 2018, the Holding Company has 2,620,111 treasury shares in its portfolio, corresponding to 2.18% of share capital, at an average price of Euro 2.28 each. In the first half year 2018, treasury shares decreased after they were assigned to beneficiaries of stock-based compensation plans.

RELATED PARTY TRANSACTIONS

Information on the most important economic transactions and balances with related parties is provided in the explanatory and supplementary notes to the consolidated financial statements, in the section entitled "Related Party Transactions".
Dealings between Group companies are conducted at arm's length, taking into account the quality and type of services rendered.

We point out that no transactions have been carried out with related parties or with entities or individuals other than related parties that, according to the definition used by Consob, are atypical or unusual, do not relate to the normal business activity or have a significant impact on the Group's results, balance and financial position.

In 2010 in accordance with Consob Regulation no. 17221 of 12 March 2010 and subsequent amendments, the Company's Board of Directors appointed the Related Party Transactions Committee, establishing that the members are to be the same as those of the Control and Risks Committee and approved the "*Discipline for related-party transactions*", which had previously received a favourable opinion of the Control and Risks Committee. The purpose of this Procedure is to establish the principles of conduct that the Company is bound to observe to guarantee the correct management of related-party transactions. This Discipline is available on the Company's website at www.sogefigroup.com, in the "Investor - Corporate Governance" section.
In accordance with Art. 2497 bis of Italian Civil Code, we point out that Sogefi S.p.A. is subject to management and coordination by its Holding company CIR S.p.A.

DISCLOSURES PURSUANT TO ART. 70 AND 71 OF CONSOB RULES FOR ISSUERS

Under a resolution of the Board of Directors of 23 October 2012, the Company adopted the simplified procedure provided for by art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation issued under Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and additions, and made use of the exemption from the obligation to publish the information documents required for significant transactions consisting in mergers, spin-offs, capital increases by means of the conferral of assets in kind, takeovers and transfers.

SIGNIFICANT SUBSEQUENT EVENTS AFTER 30 JUNE 2018

No significant events occurred after 30 June 2018.

OUTLOOK FOR OPERATIONS

Despite the current uncertainties of the global car market, the group confirms the expectation that it will moderately outperform the market at constant exchange rates thanks to the growth initiatives in Mexico (Suspensions) and Morocco (Filtration). The group also foresees a net result on a full year basis in line with that of 2017 despite the increases in the cost of raw materials and the adverse exchange rates.

Milan, 24 July 2018 FOR THE BOARD OF DIRECTORS

Chief Executive Officer

ANNEX: NOTES RECONCILING THE FINANCIAL STATEMENTS SHOWN IN THE REPORT ON OPERATIONS AND THE FINANCIAL STATEMENTS CONTAINED IN THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AND THE HOLDING COMPANY'S STATUTORY FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS/IFRS

Notes relating to the Condensed interim consolidated financial statements

a) the heading agrees with “Total working capital” in the Consolidated Statement Of Financial Position;

b) the heading agrees with the sum of the line items “Trade and other payables”, “Tax payables” and “Other current liabilities” in the Consolidated Statement Of Financial Position;

c) the heading agrees with the sum of the line items “Investments in joint ventures” and “Other financial assets” in the Consolidated Statement Of Financial Position;

d) the heading agrees with the sum of the line items “Total fixed assets”, “Other receivables”, “Non-current trade receivables”, “Deferred tax assets” and “Non-current assets held for sale” in the Consolidated Statement Of Financial Position;

e) the heading agrees with the line item "Total other long-term liabilities" in the Consolidated Statement Of Financial Position;

f) the heading agrees with the sum of the line items “Net result”, “Non-controlling interests”, “Depreciation, amortization and writedowns”, “Accrued costs for stock-based incentive plans”, “Provisions for risks, restructuring and deferred taxes” and “Post-retirement and other employee benefits” in the Consolidated Cash Flow Statement;

g) the heading agrees with the sum of the line items of the Consolidated Cash Flow Statement “Exchange differences on private placement”, “Recognition in the income statement of the fair value reserve in cash flow hedge” and “Other medium/long term assets/liabilities”, excluding movements in Income Statement, of the fair value reserve no longer in hedge accounting;

h) the heading corresponds to the line item “Sale of subsidiaries (net of cash and cash equivalents) and associates” in the Consolidated Cash Flow Statement;

i) the heading agrees with the sum of the line items “Losses/(gains) on disposal of fixed assets and non-current assets held for sale”, “Sale of property, plant and equipment” and “Sale of intangible assets” in the Consolidated Cash Flow Statement;

(l) the heading agrees with the line items “Exchange differences” in the Consolidated Cash Flow Statement, excluding exchange differences on medium/long-term financial receivables and payables;

(m) these headings differ from those shown in the Consolidated Cash Flow Statement as they refer to the total net financial position and not just to cash and cash equivalents.

Notes relating to the Holding Company's Statutory Financial Statements

(n) the heading agrees with “Total working capital” (“Totale attivo circolante operativo”) in the Holding Company's statutory Statement Of Financial Position;

(o) the heading agrees with the sum of the line items “Trade and other payables” (“Debiti commerciali e altri debiti”), “Tax payables” (“Debiti per imposte”) and “Other current liabilities” (“Altre passività correnti”) in the Holding Company's statutory Statement Of Financial Position;

(p) the heading agrees with the sum of the line items “Equity investments in subsidiaries” (“Partecipazioni in società controllate”), “Equity investments in associates” (“Partecipazioni in società collegate”) and “Other financial assets” (“Altre attività finanziarie”) in the Holding Company's statutory Statement Of Financial Position;

(q) the heading agrees with the sum of the line items “Total fixed assets” (“Totale immobilizzazioni”), “Other receivables” (“Altri crediti”) and “Deferred tax assets” (“Imposte anticipate”) in the Holding Company's statutory Statement Of Financial Position;

(r) the heading agrees with the line item "Total other long-term liabilities" (“Totale altre passività a lungo termine”) in the Holding Company's statutory Statement Of Financial Position;

(s) the heading agrees with the sum of the line items “Net profit for the period” (“Utile netto di periodo”), “Depreciation and amortization” (“Ammortamenti immobilizzazioni materiali e immateriali”), “Accrual to Income Statement for fair value of cash flow hedging instruments” (“Stanziamento a conto economico fair value derivati cash flow hedge”), “Accrued costs for stock-based incentive plans” (“Accantonamenti costi per piani di incentivazione basati su azioni”), "Exchange differences on private placement" ("Differenze cambio su private placement"), “(Unpaid) financial expense on bonds” (“Oneri finanziari (non pagati) su prestiti obbligazionari”), “Net change in deferred charge provision” (“Variazione netta fondo oneri futuri”) and “Net change in provision for employment termination indemnities” (“Variazione netta fondo trattamento di fine rapporto”) as well as the change of deferred tax assets/liabilities included in the line “Other medium/long-term assets/liabilities” (“Altre attività/passività a medio lungo termine”) of the Holding Company's statutory Cash Flow Statement;

(t) the heading agrees with the sum of the line items “Change in net working capital” (“Variazione del capitale circolante netto”), “Change in tax receivables/payables” (“Variazione dei crediti/debiti per imposte”) and “Waiver of receivables from subsidiaries” (“Rinuncia crediti commerciali verso società controllate”) of the Holding Company's statutory Cash Flow Statement;

(u) the heading is included in the line item “Other medium/long-term assets/liabilities” (“Altre attività/passività a medio lungo termine”) in the Holding Company's Statutory Cash Flow Statement, excluding movements relating to financial receivables/payables;

(v) these headings differ from those shown in the Holding Company's Statutory Cash Flow Statement as they refer to the total net financial position and not just to cash and cash equivalents.

DEFINITION OF THE PERFORMANCE INDICATORS

In accordance with recommendation CESR/05-178b published on 3 November 2005, the criteria used for constructing the main performance indicators deemed by the management to be useful for the purpose of monitoring Group performance are provided below.

EBITDA: EBITDA is calculated as the sum of "EBIT", “Depreciation and Amortization” and the impairment losses of tangible and intangible fixed assets included in the item “Other non-operating expenses (income)”.

“Other non-operating expenses (income)” include amounts that do not relate to ordinary business activities such as:

- writedowns of tangible and intangible fixed assets
- imputed cost of stock option and stock grant plans
- accruals to provisions for legal disputes with employees and third parties
- product warranty costs
- strategic consulting services

“Restructuring costs” include voluntary redundancy incentives for all employee categories (managers, clerical staff, blue collar workers) and costs relating to the shutdown of a plant or the discontinuation of individual business lines (personnel costs and related costs associated with shutdown).

“Losses (gains) on disposal” include the difference between the net book value of sold assets and selling price.

Please note that at 30 June 2018 there are no non-recurring charges as defined by Consob in its communication no. DEM/6064293 of 28 July 2006.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	*June 30, 2018*	*December 31, 2017*
CURRENT ASSETS			
Cash and cash equivalents	*4*	104,357	103,889
Other financial assets	*5*	1,712	1,510
Working capital			
Inventories	*6*	125,930	122,928
Trade receivables	*7*	189,349	173,959
Other receivables	*7*	7,624	5,508
Tax receivables	*7*	25,000	23,062
Other assets	*7*	4,749	2,304
TOTAL WORKING CAPITAL		*352,652*	*327,761*
TOTAL CURRENT ASSETS		458,721	433,160
NON-CURRENT ASSETS			
TANGIBLE AND INTANGIBLE FIXED ASSETS			
Land	*8*	12,951	13,040
Property, plant and equipment	*8*	367,069	365,854
Other tangible fixed assets	*8*	6,380	5,583
Of which: leases		*5,181*	*5,772*
Intangible assets	*9*	288,154	290,481
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS		674,554	674,958
OTHER NON-CURRENT ASSETS			
Investments in joint ventures	*10*	-	-
Other financial assets	*11*	46	46
Non-current trade receivables	*12*	4	4
Financial receivables	*12*	2,626	2,215
Other receivables	*12*	38,656	37,382
Deferred tax assets	*13-19*	44,191	45,646
TOTAL OTHER NON-CURRENT ASSETS		85,523	85,293
TOTAL NON-CURRENT ASSETS		760,077	760,251
NON-CURRENT ASSETS HELD FOR SALE	*14*	2,341	3,418
TOTAL ASSETS		1,221,139	1,196,829

Some values for the year 2017 were recalculated following the application of “IFRS 15 – Revenue from Contracts with Customers” and “IFRS 9 – Financial Instruments”.

LIABILITIES	*Note*	*June 30, 2018*	*December 31, 2017*
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*15*	2,060	14,170
Current portion of medium/long-term financial debts and other loans	*15*	76,035	66,584
Of which: leases		*1,744*	*1,679*
TOTAL SHORT-TERM FINANCIAL DEBTS		78,095	80,754
Other short-term liabilities for derivative financial instruments	*15*	228	2,678
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FIN. INSTRUMENTS		78,323	83,432
Trade and other payables	*16*	388,798	373,181
Tax payables	*16*	11,570	7,817
Other current liabilities	*17*	46,102	49,367
TOTAL CURRENT LIABILITIES		524,793	513,797
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS			
Financial debts to bank	*15*	113,783	101,993
Other medium/long-term financial debts	*15*	176,164	186,224
Of which: leases		*5,679*	*6,408*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS		289,947	288,217
Other medium/long-term financial liabilities for derivative financial instruments	*15*	-	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		289,947	288,217
OTHER LONG-TERM LIABILITIES			
Long-term provisions	*18*	83,541	87,049
Other payables	*18*	67,580	71,983
Deferred tax liabilities	*19*	44,616	40,640
TOTAL OTHER LONG-TERM LIABILITIES		195,737	199,672
TOTAL NON-CURRENT LIABILITIES		485,684	487,889
SHAREHOLDERS' EQUITY			
Share capital	*20*	62,461	62,394
Reserves and retained earnings (accumulated losses)	*20*	111,244	88,425
Group net profit (loss) for the period	*20*	17,045	26,600
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		190,750	177,419
Non-controlling interests	*20*	19,912	17,724
TOTAL SHAREHOLDERS' EQUITY		210,662	195,143
TOTAL LIABILITIES AND EQUITY		1,221,139	1,196,829

Some values for the year 2017 were recalculated following the application of “IFRS 15 – Revenue from Contracts with Customers” and “IFRS 9 – Financial Instruments”.

CONSOLIDATED INCOME STATEMENT
(in thousands of Euro)

	Note	1st half 2018		1st half 2017	
		Amount	%	Amount	%
Sales revenues	22	839,144	100.0	857,501	100.0
Variable cost of sales	24	583,837	69.6	586,889	68.4
CONTRIBUTION MARGIN		255,307	30.4	270,612	31.6
Manufacturing and R&D overheads	25	77,001	9.1	80,291	9.4
Depreciation and amortization	26	56,013	6.7	56,350	6.6
Distribution and sales fixed expenses	27	21,454	2.6	22,725	2.6
Administrative and general expenses	28	45,124	5.4	44,828	5.2
Restructuring costs	30	2,697	0.3	5,962	0.7
Losses (gains) on disposal	31	(58)	-	(168)	-
Exchange losses (gains)	32	2,908	0.3	646	0.1
Other non-operating expenses (income)	33	5,729	0.7	10,793	1.3
EBIT		44,439	5.3	49,185	5.7
Financial expenses (income), net	34	13,508	1.6	12,806	1.5
Losses (gains) from equity investments	35	-	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS		30,931	3.7	36,379	4.2
Income taxes	36	11,831	1.4	14,910	1.7
NET RESULT BEFORE NON-CONTROLLING INTERESTS		19,100	2.3	21,469	2.5
Loss (income) attributable to non-controlling interests		(2,055)	(0.3)	(2,117)	(0.2)
GROUP NET RESULT		17,045	2.0	19,352	2.3
Earnings per share (EPS) (Euro):	38				
Basic		0.145		0.166	
Diluted		0.145		0.165	

Some values for the year 2017 were recalculated following the application of “IFRS 15 – Revenue from Contracts with Customers”.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
(in thousands of Euro)

	Note	*1st half 2018*	*1st half 2017*
Net result before non-controlling interests		19,100	21,469
Other Comprehensive Income:			
Items that will not be reclassified to profit or loss			
- Actuarial gains (losses)	*20*	1,137	2,844
- Tax on items that will not be reclassified to profit or loss	*20*	(193)	(483)
Total items that will not be reclassified to profit or loss		*944*	*2,361*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedge reserve	*20*	1,658	2,446
- Income tax relating to items that may be reclassified to profit or loss	*20*	(398)	(587)
- Profit (loss) booked to translation reserve	*20*	(6,491)	(10,825)
Total items that may be reclassified to profit or loss		*(5,231)*	*(8,966)*
Other Comprehensive Income		*(4,287)*	*(6,605)*
Total comprehensive result for the period		14,813	14,864
Attributable to:			
- Shareholders of the Holding Company		12,755	12,911
- Non-controlling interests		2,058	1,953

Some values for the year 2017 were recalculated following the application of "IFRS 15 – Revenue from Contracts with Customers".

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of Euro)

	1st half 2018	*1st half 2017*
Cash flows from operating activities		
Net result	17,045	19,352
Adjustments:		
- non-controlling interests	2,055	2,117
- depreciation, amortization and writedowns	59,561	64,839
- expenses recognised for share-based incentive plans	358	265
- exchange rate differences on private placement	854	(10,138)
- (not paid) interest expense on bonds	1,944	1,822
- provision in income statement of fair value derivatives in cash flow hedge	(1,329)	9,182
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(58)	(168)
- provisions for risks, restructuring and deferred taxes	3,596	6,247
- post-retirement and other employee benefits	(868)	(407)
- change in net working capital	(11,758)	(15,110)
- other medium/long-term assets/liabilities	(5,090)	(494)
CASH FLOWS FROM OPERATING ACTIVITIES	66,310	77,507
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(45,077)	(41,430)
Purchase of intangible assets	(17,951)	(17,485)
Net change in other securities	-	2,230
Sale of property, plant, equipment and businesses	379	357
Sale of intangible assets	-	53
NET CASH FLOWS FROM INVESTING ACTIVITIES	(62,649)	(56,275)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	104	72
Net change in capital	253	901
Dividends paid to Holding Company shareholders and non-controlling interests	(9)	(2,544)
New (repayment of) bonds	(12,584)	(12,587)
New (repayment of) long-term loans	21,701	(26,345)
New (repayment of) finance leases	(829)	(915)
NET CASH FLOWS FROM FINANCING ACTIVITIES	8,636	(41,418)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	12,297	(20,186)
Balance at the beginning of the period	89,720	82,656
(Decrease) increase in cash and cash equivalents	12,297	(20,186)
Exchange differences	280	(2,672)
BALANCE AT THE END OF THE PERIOD	102,297	59,798

ADDITIONAL INFORMATIONS OF CASH FLOW STATEMENT		
Taxes paid	(4,983)	(4,238)
Financial expenses paid	(11,768)	(13,620)
Financial income collected	1,757	2,181

Some values for the year 2017 were recalculated following the application of “IFRS 15 – Revenue from Contracts with Customers”.

Note: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7. The cash flow statement included in the Report of the board of directors on operations shows the various operational components of cash flow, thereby explaining all of the changes in the overall net financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of Euro)	*Attributable to the shareholders of the parent company*				*Non-controlling*	*Total*
	Share capital	Reserves and retained earnings (accumula- ted	Net result for the period	Total		
Balance at December 31, 2016	*62,065*	*89,863*	*9,336*	*161,264*	*16,118*	*177,382*
Paid share capital increase	228	673	-	901	72	973
Allocation of 2016 net profit:						
Legal reserve	-	-	-	-	-	-
Dividends	-	-	-	-	(2,544)	(2,544)
Retained earnings	-	9,336	(9,336)	-	-	-
Recognition of share-based incentive plans	-	265	-	265	-	265
Net purchase of treasury shares	-	-	-	-	-	-
Other changes	-	(51)	-	(51)	51	-
Comprehensive result for the period						
Fair value measurement of cash flow hedging instruments	-	2,446	-	2,446	-	2,446
Actuarial gains (losses)	-	2,844	-	2,844	-	2,844
Tax on items booked in Other Comprehensive Income	-	(1,070)	-	(1,070)	-	(1,070)
Currency translation differences	-	(10,661)	-	(10,661)	(164)	(10,825)
Net result for the period	-	-	19,352	19,352	2,117	21,469
Total Comprehensive result for the period	-	*(6,441)*	*19,352*	*12,911*	*1,953*	*14,864*
Balance at June 30, 2017	*62,293*	*93,645*	*19,352*	*175,290*	*15,650*	*190,940*

(in thousands of Euro)	*Attributable to the shareholders of the parent company*				*Non-controlling*	*Total*
	Share capital	Reserves and retained earnings (accumula- ted	Net result for the period	Total		
Balance at December 31, 2017	*62,394*	*88,425*	*26,600*	*177,419*	*17,724*	*195,143*
Paid share capital increase	*67*	*186*	-	*253*	*104*	*357*
Allocation of 2017 net profit:						
Legal reserve	-	-	-	-	-	-
Dividends	-	-	-	-	(9)	(9)
Retained earnings	-	26,600	(26,600)	-	-	-
Recognition of share-based incentive plans	-	358	-	358	-	358
Net purchase of tresury shares	-	-	-	-	-	-
Other changes	-	(35)	-	(35)	35	-
Comprehensive result for the period						
Fair value measurement of cash flow hedging instruments	-	1,658	-	1,658	-	1,658
Actuarial gains (losses)	-	1,137	-	1,137	-	1,137
Tax on items booked in Other Comprehensive Income	-	(591)	-	(591)	-	(591)
Currency translation differences	-	(6,494)	-	(6,494)	3	(6,491)
Net result for the period	-	-	17,045	17,045	2,055	19,100
Total Comprehensive result for the period	-	*(4,290)*	*17,045*	*12,755*	*2,058*	*14,813*
Balance at June 30, 2018	*62,461*	*111,244*	*17,045*	*190,750*	*19,912*	*210,662*

Some values for the year 2017 were recalculated following the application of “IFRS 15 – Revenue from Contracts with Customers” and “IFRS 9 – Financial Instruments”.

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

1. CONTENT AND FORMAT OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed Consolidated Financial Statements for the period 1 January - 30 June 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and adopted by the European Union and have been prepared according to IAS 34 - "Interim Financial Reporting", applying the same accounting policies used in the preparation of the condensed Consolidated Financial Statements at 31 December 2017 except as provided by note no. 2 "Consolidation principles and accounting policies". "IFRS" also means the International Accounting Standards ("IAS") currently in force, as well as all of the interpretation documents issued by the International Financial Reporting Standards Interpretations Committee ("IFRS IC", formerly "IFRIC") previously called the Standing Interpretations Committee ("SIC"). To this end, the figures of the financial statements of the consolidated subsidiaries have been appropriately reclassified and adjusted.
As a partial exception to IAS 34 provisions, these interim condensed financial statements provide detailed as opposed to condensed statements in order to provide a better and clearer overview of the changes that have taken place in the Company's assets and liabilities, financial position and results during the half-year.
They also contain the disclosures required by IAS 34 with the supplementary information considered useful for a clearer understanding of these half-year financial statements.
The interim condensed financial statements as at 30 June 2018 should be read in conjunction with the annual financial statements as at 31 December 2017.
With reference to IAS 1, the Board Directors confirm that, considering the economic forecasts, the capitalisation and the financial position of the Group, the same operates as a going concern.
The interim condensed financial statements as at 30 June 2018 were approved by the Board of Directors on 24 July 2018.

1.1 Format of the Condensed interim consolidated financial statements

The financial statements as at 30 June 2018 are consistent with those used for the annual report as at 31 December 2017.

The Income Statement also provides the following intermediate results in order to give a clearer understanding of the typical results of normal manufacturing activities, the financial side of the business and the impact of taxation:

- Contribution margin: it is the difference between sales revenues and variable cost of sales;
- EBIT: it represents the profit before financial items, tax and profit attributable to minority interests;
- Result before taxes and non-controlling interests;
- Net result before non-controlling interests;
- Group net result.

1.2 Content of the condensed interim consolidated financial statements

The interim condensed interim consolidated financial statements for the six-month period ending 30 June 2018 include the Holding Company Sogefi S.p.A. and its controlled subsidiaries.
Section H of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are presented in Euro and all figures are rounded up or down to the nearest thousand Euro, unless otherwise indicated.

The consolidated interim condensed financial statements have been prepared according to the consolidation method on a line-by-line basis of the statements of Sogefi S.p.A., the Holding Company, and those of all Italian and foreign companies under its control.

It should be noted that in the first half of 2018 the subsidiary Allevard IAI Suspensions Pvt Ltd approved a capital increase of Euro 104 thousand (amount approved and paid in) fully subscribed by minority shareholders; the stake held by the Holding company Sogefi Suspensions S.A. therefore fell from 75.67% to 74.23%. This transaction generated a reclassification between equity of non-controlling interests and group's equity of Euro 35 thousand.

No further changes were made to the scope of consolidation during the period.

1.3 Group composition

As required by IFRS 12, Group composition as at 30 June 2018 and 31 December 2017 was as follows:

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		June 30, 2018	December 31,
Air&Cooling	Canada	1	1
	France	1	1
	Mexico (*)	1	1
	Romania	1	1
	China (**)	2	2
	Luxembourg	1	1
	USA	1	1
	Hong Kong	1	1
Filtration	Italy (***)	1	1
	France	1	1
	Great Britain	1	1
	Spain	1	1
	Slovenia	1	1
	USA (***)	1	1
	Brazil	1	1
	Argentina	1	1
	Morocco	1	1
Suspensions	Italy	2	2
	France	2	2
	Great Britain	2	2
	Germany	2	2
	The Netherlands	1	1
	Brazil	1	1
	Argentina	1	1
Sogefi Gestion S.A.S.	France	1	1
TOTAL		31	31

(*) This subsidiary works also for Suspensions business unit.
(**) These subsidiaries work also for Filtration and Suspensions business units.
(***) This subsidiary works also for Air&Cooling business units.

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		June 30, 2018	December 31,
Air&Cooling	China	1	1
Filtration	India (***)	1	1
Suspensions	France	1	1
	Spain	1	1
	China	1	1
	India	1	1
TOTAL		6	6

(***) This subsidiary works also for Air&Cooling business unit.

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The consolidation and accounting policies applied in preparing the condensed financial statements for the six-month period ended 30 June 2018 are consistent with those used for the annual financial statements as of 31 December 2017 to which the reader should refer, except as reported below due to the application of the new accounting standards IFRS 15 and IFRS 9.

The financial statements of the consolidated Argentine companies were prepared at 30 June 2018 in the functional currency without taking into account the effects of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies", which will be considered, except for significant changes in the inflation trend of the Argentine economy, for the period closing at 31 December 2018.

The preparation of the interim condensed financial statements requires Directors to make estimates and assumptions, which affect the values of revenues, costs, assets and liabilities and the information regarding potential assets and liabilities as at the date of the interim condensed financial statements. If in the future such estimates and assumptions, which are based on the best estimates of the Directors, should change due to actual circumstances, they will be adjusted accordingly in the period in which said circumstances change.
It should also be noted that some measurement processes, in particular the more complex ones, such as the calculation of any impairment of non-current assets, are generally fully made only when the annual financial statements are prepared, when all of the information that may be required is available, with the exception of the cases in which there are impairment indicators that require the performance of an impairment test.
The main items affected by these estimates are as follows:

- goodwill (Euro 126,639 thousand as at 30 June 2018): the goodwill impairment test conducted as of 31 December 2017 confirmed that there was no need to recognise any impairment loss to the values shown in the financial statements. The trend of operating results of the business units in the first half year 2018 and the forecasts for the full year 2018 are basically in line with the expectations included in the 2018 - 2022 multiyear plan for the Group as approved by the management. Hence there are no indications that the goodwill might be impaired in the first half of 2018;
- recoverability of deferred tax assets for tax losses (Euro 5.302 thousand as at 30 June 2018): as at 30 June 2018 recognised deferred tax assets for tax losses incurred during previous years (referred to subsidiaries Sogefi Air & Cooling S.A.S., Sogefi Filtration d.o.o., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi Filtration Spain S.A.U.) to the extent that the availability of future taxable income is considered probable, over the time horizon of the plan, against which the tax losses can be used for the subsidiaries. Such probability is also determined based on the fact that such losses have originated under extraordinary circumstances, such as past or on-going restructuring, that are unlikely to occur again in the future and that these losses may be recovered throughout an unlimited or long-term time frame.

  With reference to the Holding Company Sogefi S.p.A., taxes are recognised in the income statement under "Current taxes" to the extent that the loss is actually offset against taxable income generated within the CIR Group tax filing system. The possible tax losses carried forward in excess of the offset amount will be recognised as deferred tax assets as they are likely to be recovered taking into account that the Holding Company has joined the CIR Group tax filing system permanently. The ability to recover such tax will be based on expected future taxable income according to the forecasts involving the companies participating in the CIR Group tax filing system;

- pension plans (Euro 47,127 thousand as of 30 June 2018): actuaries who offer their consulting services to the Group use different statistic assumptions in order to anticipate future events for the purpose of estimating pension plan expenses, liabilities and assets. Such assumptions concern discount rate, expected return on pension plan assets (this particular assumption concerns nearly exclusively British pension funds), future wage inflation rates, mortality and turnover rates;
- derivatives (Euro 801 thousand for assets and Euro 228 thousand for liabilities as at 30 June 2018): the estimate of derivatives fair value and the efficacy test on derivatives held for "hedge accounting" were performed with the aid of external consultants based on valuation models commonly used in the industry;
- provision for product warranties (Euro 16.3 million)/Other non-current receivables (Euro 9.7 million).

1) With regard to provision for product warranties, there are claims in progress by two customers relating to a defective component supplied starting from 2010 by the subsidiary Sogefi Air & Cooling S.A.S. (formerly named Systèmes Moteurs S.A.S., "SM") before and after it was purchased by Dayco Europe S.r.l. (in 2011). The Company believes that the defect was caused by a thermostat manufactured by a supplier of SM and in 2012 filed a law suit against that supplier at the French courts seeking indemnity for any damages it might have to pay to its customers.

   In June 2012 the court appointed a technical expert to write an expert witness report, initially for the purpose of determining the causes of product defect. Subsequently, the subsuppliers and the customers, and lastly Dayco took part in the investigation process.

   The court's expert is tasked with determining the nature of the defect, the liability of the different parties involved and the amount of damages.

   To date, the expert established that the defect was caused by the thermostat manufactured by the supplier of SM.

   With regard to the liability of the parties involved, the expert is analysing the different phases of the product approval procedure to allocate liability among the different parties involved (thermostat supplier, its subsuppliers, SM as first-tier supplier, and the customers).

   With regard to the determination of damages, the expert was asked to evaluate whether the damages claimed by the customers are appropriate for the purpose of allocating final damages among the parties involved.

2) The total amount of the claims is currently Euro 165.4 million, broken down as follows:
   - Euro 112.4 million for past and future campaigns;
   - Euro 31.5 million for interest and other costs;
   - Euro 21.5 million for damage to reputation and loss of future income.

   Based on existing proceedings, the Company and its legal counsel deem that there is only a remote possibility that a liability will arise from the latter claim in the amount of Euro 21.5 million.
   Regarding the request for Euro 31.5 million for interest and other costs, the Company, supported by its legal counsel, recalculated the amounts for which details were provided by the customers and then based on the current situation fully and prudentially assessed the amounts for which details have not yet been provided.

3) Based on the foregoing, the claim considered by the Company today amounts to Euro 132.9 million.

   The Company investigated such claim thoroughly to identify the concerned production periods and – prior to the allocation of liability, if any – according to its estimates Euro 64.1 million relate to products manufactured before the SM acquisition, and Euro 68.8 million to post-acquisition periods.

   In this regard, in May 2016, the Company obtained an arbitration award in the international arbitration proceedings initiated against Dayco to recover the costs incurred by SM after the acquisition.
   In short, the award confirmed that Sogefi has a general right to indemnification for the claims relating to products manufactured before Sogefi purchased SM, and ordered Dayco to pay Euro 9.4 million to Sogefi for the claims already paid (including the amounts paid in connection with the above mentioned defective component). The award amount had been paid at the end of the year 2016. In 2017, an additional amount of Euro 0.3 million was collected for further claims still pending between Sogefi and Dayco at the end of 2016.
   If appropriate, the Company will claim such general right to indemnification against Dayco in connection with amounts paid to customers for production lots of the defective components before Sogefi purchased SM.

   The award stated that Sogefi is responsible for any claims relating to production lots manufactured after the acquisition.

4) The Company estimates the claims relating to production lots manufactured after the acquisition in total Euro 68.8 million before this liability is allocated among the different parties involved (thermostat supplier, its subsuppliers, SM, and the customers).
   The Company, supported by its legal counsel, feels that the expert can recognise only a portion of these sums.

5) SM paid Euro 21 million on a provisional basis for claims received by customers. These amounts were paid under standstill agreements, without any admission of liability. Such amounts will be adjusted when the Court decides on the merits of the case or under subsequent settlement agreements.

   At the end of the year 2016, the Company's provision for product warranties – less the total amount already paid of Euro 21 million – amounted to Euro 16.3 million. This amount was re-analysed in the fiscal year 2017 and in the first semester 2018. The Company, supported by its legal counsel, confirmed this provision.

6) With regard to the indemnities owed by the seller of SM shares, it is worthwhile pointing out that the Sogefi Group entered an indemnification asset totalling Euro 23.4 million in the Consolidated Financial Statements in 2011, because the seller Dayco had provided contractual guarantees relating to defect liability claims existing at the time of the acquisition, including those noted above.
   Based on the outcome of the arbitration proceedings, in 2016 the Company reduced the amount expected to be recovered from Dayco by Euro 4 million and consequently wrote down the indemnification asset by the same amount.
   After the payments of 2016 and 2017, the residual value of the indemnification asset as at 30 June 2018 was Euro 9.7 million.

   Please note that both Sogefi and Dayco appealed parts of the award before the Court of Appeals in Milan. Sogefi appealed against the decision which stipulated that any payments for claims relating to production that took place after the acquisition will be borne by Sogefi; Dayco appealed against the award for the part which confirmed the validity of the compensation to Sogefi included in the acquisition contract. It should be noted that the validity of such indemnities was confirmed by both the award and a preliminary ruling of the Court of Appeals in Milan, that rejected Dayco's petition to stay enforcement of the award and confirmed that the award is enforceable.

   It should be noted that these are complex proceedings that involve judgements on technical, juridical and commercial matters, and present uncertainties connected with the outcome of the proceedings before the French courts and the arbitration award. Estimates concerning risks provision and the recovery of booked assets are based on the information available at the time of preparing the financial statements. The estimate is subject to change as events evolve.

IFRS accounting standards, amendments and interpretations applicable since 1 January 2018

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group as from 1 January 2018:

Application of the new accounting standard IFRS 15 – Revenue from contracts with customers

The standard provides for a new revenue recognition model, which will be applicable to all agreements made with customers, with the exception of those falling under the scope of application of other IFRSs, such as leases, insurance contracts and financial instruments.

As far as the Sogefi Group is concerned, application of the new standard IFRS 15 substantially led to a change in the accounting of "tooling" and "prototypes" supplied to customers, as shown below.
Supply of "tooling" and "prototypes" does not meet the requirements to be identified as a separate performance obligation, so related revenues will be recognised on the same duration as the performance obligation identified by the supply of goods. This is because the "tooling" is used by the Group exclusively for the supply of the specific goods ordered by the customer and the customer does not have a substantial option to obtain the production of these specific goods from another supplier through the use of "tooling". Contracts entered into with customers feature specific clauses in the different jurisdictions in which the Group operates (the legal ownership of the "tooling" could be transferred to the customer before the start of mass production in exchange for a fixed fee or at the end of mass production, i.e. the revenue from the sale of "tooling" could be included in the sale price of the individual goods). Previously, revenues from the contractual obligation to supply the "tooling" were recognised on the basis of the contractual provisions, with specific reference to the transfer of ownership of the "tooling" to the customer.
By changing the recognition policy for revenues deriving from the contractual obligation to provide the "tooling", the Group changed the accounting policy relating to the costs for the production/purchase of the "tooling" as well. These costs are now capitalised in the item "Tangible fixed assets" and are depreciated over the period corresponding to the supply of the goods to the customer (these costs are therefore no longer recorded in the item "Variable cost of sales - Materials"). Costs relating to the development of "prototypes" (previously recorded under the item "Variable cost of sales - Materials") are now capitalised in the item "Intangible fixed assets" and amortised over the period corresponding to the supply of goods to the customer.

The average duration of supply of goods to the customer has been conventionally defined by the Group in 4 years on the basis of historical experience. During this period, revenues from contractual obligations relating to the development of the production process and the supply of "tooling" and "prototypes" will be recorded, and the costs for the production/purchase of "tooling" and "prototypes" will be depreciated.

The Group has analysed the contractual obligation for the warranty for the supplied components, concluding that it does not represent a distinct performance obligation because it does not provide additional services that benefit the customers. Warranty costs will continue to be recognised under IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

The Group has also identified an impact on the presentation of revenues from aftermarket customers. This is due to the "marketing contributions" provided to customers who meet the definition of "consideration payable to customers" in IFRS 15 and that have to be presented net of revenues. These costs were previously presented in the item "Variable cost of sales" because they are considered marketing costs provided by customers to the Group.

In addition to the effects described above, other aspects of the contracts with customers that are relevant to the Group's activities and business were analysed, without finding any significant impact for the application of the new standard. This includes, for example, contractual aspects (price review, productivity, contract acquisition costs) which have been measured and recorded in accordance with the new principle, and their analysis is still under consideration for new contracts.

The Group restated the comparative period to the date of first-time adoption of IFRS 15 by adopting practical measures. In particular, IFRS 15 has not been applied retrospectively for contracts completed before 1 January 2018. The retrospective application has also been applied to the corresponding 2017 balances, with an effect on initial equity at 1 January 2017 of Euro 11.7 million.

The adoption of the new standard caused a reduction in shareholders' equity as at 1 January 2018 from Euro 189 million to approximately Euro 177.7 million (net of the tax effect). It should be noted that the impact on the net profit for 2017 was not material.
It should also be noted that the new accounting policy relating to “tooling” and “prototypes” mentioned above led to a reduction in the items "Sales revenues" and "Variable cost of sales" and an increase in the item "Depreciation and amortization".

Lastly, it should be noted that some measurements may be subject to changes until presentation of the Group's first consolidated financial statements for the year including the date of first adoption, also in light of the checks carried out on the changes made to the application models and information systems currently being completed.

The following tables present the effects of the adoption of the new standard in the income statement as at 30 June 2017 and in the balance sheet as at 31 December 2017.

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)	**Period 01.01 – 06.30.2017**	**Period 01.01 – 06.30.2017 restated**	**Change**
	Amount	Amount	Amount
Sales revenues	866.0	857.5	(8.5)
Variable cost of sales	615.5	586.9	(28.6)
Depreciation and amortization	35.6	56.3	20.7
Income taxes	14.9	14.9	-
GROUP NET RESULT	20.0	19.4	(0.6)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	**12.31.2017**	**12.31.2017 restated**	**Change**
Inventories	159.3	122.9	(36.4)
Property, plant and equipment	275.8	384.5	108.7
Intangible assets	272.6	290.5	17.9
Deferred tax assets	40.1	45.5	5.4
TOTAL ASSETS	1,101.5	1,197.1	95.6

LIABILITIES	**12.31.2017**	**12.31.2017 restated**	**Change**
Other current liabilities	8.6	49.3	40.7
Deferred tax liabilities	39.7	40.6	0.9
Other non-current payables	6.7	72.0	65.3
TOTAL LIABILITIES	894.8	1,001.7	106.9
SHAREHOLDERS' EQUITY	-	-	-
Reserves and retained earnings (accumulated losses)	100.0	88.7	(11.3)
Group net result for the period	26.6	26.6	-
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	189.0	177.7	(11.3)
TOTAL LIABILITIES AND EQUITY	1,101.5	1,197.1	95.6

Application of new accounting standard IFRS 9 – Financial instruments

The document (issued on 24 July 2014) includes the results of the classification, valuation, derecognition, impairment and hedge accounting phases relating to the IASB project pending the replacement of IAS 39:

- it introduces new criteria to classify and measure financial assets and liabilities;
- with reference to the impairment model, the new standard requires the losses on receivables to be estimated based on the expected losses model (instead of the incurred losses model of IAS 39) using information that can be evidenced,

available free of charge or without unreasonable effort and including historic, current and forecast data;
- a new hedge accounting model is introduced (additional types of transactions can be designated for hedge accounting, different accounting method for forward contracts and options when they are included in a hedge accounting transaction, changes to effectiveness test).

Based on the analysis performed, the effect on initial shareholders' equity, resulting from the implementation of IFRS 9, is a reduction of Euro 0.3 million (net of the tax effect) as a result of a reduction in receivables of Euro 0.4 million, without, however, making any significant changes to the income statement figures for the first half of 2018.
The adjustment to reduce retained earnings refers to the recognition of further, and possible, losses due to a reduction in financial assets, deriving from the application of the expected credit loss model introduced by IFRS 9, in replacement of the incurred credit loss model provided for by IAS 39. On the basis of this new model, the financial assets not past due, for which there is no evidence of impairment, were also analysed.
It should also be noted that the reduction in value recorded as at 1 January 2018 mainly refers to trade receivables; the analyses carried out at present on the other financial assets and liabilities did not reveal any significant critical issues.

The Group decided to continue to use the hedge accounting rules provided for in IAS 39 for all hedges already designated as hedge accounting at 31 December 2017.

It should be noted that the effects of the adoption of this standard at 1 January 2018 may change as the Group has not yet completed the verification and evaluation of the application models, and in addition the new accounting policies may be subject to changes until the presentation of the first consolidated financial statements of the Group for the year which includes the date of first adoption.

The Group did not restate the first comparative year at the date of first-time adoption of IFRS 9 considering the limited impact deriving from the adoption of this standard.

Other standards

- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8 December 2016 and endorsed by the European Commission in March 2018). This interpretation provides guidelines on foreign currency transactions when non-monetary advance consideration paid or received is recognised before recognition of the relating asset, expense or income. This document clarifies how an entity has to determine the date of the transaction and consequently the spot exchange rate to be used for foreign currency transactions whose consideration is paid or received in advance. IFRIC 22 applies as from 1 January 2018. The new provisions as at 30 June 2018 did not have any impact on the Sogefi Group's interim financial statements.

- Amendments to IAS 40 “Transfers of Investment Property” (issued on 8 December 2016). These amendments provide clarifications on the transfer of properties to, or from, investment properties. Specifically, an entity should only reclassify a property asset to or from investment property when there is evidence of a change in use of that asset. Such change in use must be supported by a specific event occurred in the past. A change in intention by the entity's management alone is not sufficient. These amendments apply as from 1 January 2018. The new provisions as at 30 June 2018 did not have any impact on the Sogefi Group's Interim Financial Statements.

- Amendments to IFRS 2 "Classification and measurement of share-based payment transactions" (issued on 20 June 2016). This document provides clarifications on how to account for the effects of vesting conditions in cash-settled share-based payments, how to classify share-based payments that include net settlement features and how to account for changes to the terms and conditions of a share-based payment that turn cash-settled share-based payment to equity-settled share-based payment. As of 30 June 2018, the Group there are no significant transactions of this kind currently in place.

- Document "Annual Improvements to IFRS Standards 2014-2016 Cycle" (published on 8 December 2016 and endorsed in February 2018) with major changes concerning:
  - IFRS 1 - First adoption of International Financial Reporting Standards - The changes eliminate some exemptions from IFRS 1 as the benefit of these exemptions is deemed to have been superseded. These amendments are to be applied for financial periods beginning on 1 January 2018.
  - IAS 28 – Equity investments in associates and *joint ventures*– The amendment clarifies that the option for an investment entity in risk capital or another entity qualified to measure the investments in associates and *joint ventures* values at *fair value* posted to the income statement (rather than by applying the equity method) is performed for each single investment upon initial recognition. These amendments are to be applied for financial periods beginning on 1 January 2018.

  These improvements had no effects for the companies within the Sogefi Group.

IFRS and IFRIC accounting standards, amendments and interpretations approved by the European Union but not yet compulsorily applicable and not early adopted by the Group

The Group has not adopted the following new and amended standards that have been issued but are not yet applicable:

- IFRS 16 – Leases (issued on 13 January 2016). This document replaces IAS 17 – Leases, as well as IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of lease and introduces a criterion based on the control (right of use) of an asset to differentiate between lease and service agreements according to: asset identification, right to replacement

of the asset, right to obtain all economic benefits arising out of use of the asset and right to control the use of the asset underlying the agreement.

The standard introduces a single lessee accounting model for recognising and measuring lease agreements, which provides for the underlying asset – including assets underlying operating leases – to be recognised in the statement of financial position as assets and leas financial liability. Lessees may elect to not recognise agreements for low-value assets or with a term of up to 12 within the scope of this standard. No significant changes are introduced for lessor accounting.

The standard applies for reporting period beginning on or after 1 January 2019. Early application is only allowed for early adopters of IFRS 15 – Revenue from Contracts with Customers.

Directors expect that the adoption of IFRS 16 will have a significant impact on lease accounting and the relevant disclosures included in the Group's Consolidated Financial Statements. Still, it will be impossible to provide a reasonable estimate as to the effects until the Group completes a detailed analysis of the relevant agreements. The overall impact will be reliably outlined in the next half of the year and any operational integrations/changes to company processes will be implemented on the IT systems.

- Amendment to IFRS 9 "Prepayment features with Negative Compensation" (issued on 12 October 2017 and endorsed by the European Commission in March 2018). The amendment proposes that the financial assets which could result in a negative compensation would be eligible to be measured at amortised cost or fair value through other comprehensive income as a result of a prepayment feature (depending on a company's business model). These amendments are to be applied for financial periods beginning on 1 January 2019.

IFRS and IFRIC accounting standards, amendments and interpretations not yet endorsed by the European Union

The European Union has not yet completed its endorsement process for the standards and amendments below reported at the date of these Interim Financial Statements. The Directors are evaluating the possible effects of applying these amendments to the Group's Consolidated Financial Statements.

- Amendments to IFRS 10 and IAS 28 "Sales or Contribution of Assets between an Investor and its Associate or Joint Venture" (issued on 11 September 2014). The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurement of profit or loss arising from transfers or assignments of a non-monetary asset to a joint venture or associate in return for its shares. The IASB has suspended the application of these amendments for the time being.
- IFRIC 23 "Uncertainty over income taxes treatment" (issued on 7 June 2017). The interpretation clarifies the application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty about tax treatment. These amendments are to be applied for financial periods beginning on 1 January 2019, though early adoption is allowed.
- Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017). The amendment clarifies that a company applies

IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture. The amendment also requires IFRS 9 to be applied to these assets before the application of IAS 28, so that the entity does not take into account any adjustments to long-term interests arising from the application of this IAS. These amendments are to be applied for financial periods beginning on 1 January 2019, though early adoption is allowed.

- Document “Annual Improvements to IFRS Standards 2015-2017 Cycle" (issued on 12 December 2017). These amendments are part of the Board's process for maintaining and clarifying IFRS Standards and affected: IAS 12 Income Taxes, IAS 23 Borrowing Costs e IFRS 3 Business Combination. These amendments are to be applied for financial periods beginning on 1 January 2019, though early adoption is allowed.
- Amendment to IAS 19 - Plan Amendment, Curtailment or Settlement (published in February 2018). The amendment clarifies how current service cost and net interest are determined when a change occurs in a defined benefit plan. These amendments are to be applied for financial periods beginning on 1 January 2019. Early adoption is allowed.

Exchange rates

The following exchange rates have been used for translation purposes:

	1st half 2018		*1st half 2017*		*F.Y. 2017*
	Average	*06.30*	*Average*	*06.30*	*12.31*
US dollar	1.2108	1.1658	1.0825	1.1412	1.1993
Pound sterling	0.8797	0.8860	0.8601	0.8793	0.8872
Brazilian real	4.1413	4.4876	3.4393	3.7600	3.9728
Argentine peso	26.0281	32.7048	16.9981	18.8857	22.9305
Chinese renminbi	7.7101	7.7170	7.4416	7.7387	7.8046
Indian rupee	79.4913	79.8130	71.1238	73.7463	76.6284
New romanian Leu	4.6544	4.6631	4.5364	4.5523	4.6585
Canadian dollar	1.5464	1.5442	1.4445	1.4785	1.5039
Mexican peso	23.0787	22.8817	21.0261	20.5846	23.6630
Moroccan Dirham	11.2486	11.1080	10.7793	11.0096	11.2360
Hong Kong dollar	9.4904	9.1468	8.4161	8.9071	9.3721

B) SEGMENT INFORMATION

3. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business segments).
The operating segments and performance indicators have been determined on the basis of the reports used by the Group's Managing Director for taking strategic decisions.

Business segments

With regard to the business segments, disclosures concerning the three business units are provided: Suspensions, Filtration, and Air and Cooling. Figures for the Holding Company Sogefi S.p.A. and the subsidiary Sogefi Gestion S.a.S. are also provided for the purpose of reconciliation with consolidated values.

The tables below provide the income statement and the statement of financial position figures of the Group for the first half of 2017 and 2018:

(in thousands of Euro)	*June 30, 2017*					
	Air & Cooling	Suspensions	Filtration	Sogefi SpA / Sogefi Gestion S.A.S.	Adjust-ments	Sogefi Group consolida-tion
REVENUES						
Sales to third parties	261,896	307,911	287,694	-	-	857,501
Intersegment sales	441	829	920	14,535	(16,725)	-
TOTAL REVENUES	262,337	308,740	288,614	14,535	(16,725)	857,501
RESULTS						
EBIT	16,584	22,631	15,616	(5,062)	(584)	49,185
Financial expenses, net						(12,806)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						36,379
Income taxes						(14,910)
Loss (profit) attributable to non-controlling						(2,117)
NET RESULT						19,352
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	366,523	429,636	353,044	606,612	(729,606)	1,026,209
Unallocated assets	-	-	-	-	150,776	150,776
TOTAL ASSETS	366,523	429,636	353,044	606,612	(578,830)	1,176,985
LIABILITIES						
Segment liabilities	240,821	283,013	273,470	424,367	(235,626)	986,045
TOTAL LIABILITIES	240,821	283,013	273,470	424,367	(235,626)	986,045
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	23,326	17,220	17,612	949	(192)	58,915
Depreciation, amortization and writedowns	22,389	16,900	23,230	1,745	575	64,839

(in thousands of Euro)	June 30, 2018					
	Air & Cooling	Suspensions	Filtration	Sogefi SpA / Sogefi Gestion S.A.S.	Adjust-ments	Sogefi Group consolida-tion
REVENUES						
Sales to third parties	248,469	313,784	276,891	-	-	839,144
Intersegment sales	411	910	281	12,705	(14,307)	-
TOTAL REVENUES	248,880	314,694	277,172	12,705	(14,307)	839,144
RESULTS						
EBIT	17,556	13,184	18,124	(4,030)	(395)	44,439
Financial expenses, net						(13,508)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						30,931
Income taxes						(11,831)
Loss (profit) attributable to non-controlling interests						(2,055)
NET RESULT						17,045

STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	374,009	439,234	390,764	620,376	(751,325)	1,073,058
Unallocated assets	-	-	-	-	148,081	148,081
TOTAL ASSETS	374,009	439,234	390,764	620,376	(603,244)	1,221,139
LIABILITIES						
Segment liabilities	243,194	295,064	314,376	412,695	(254,854)	1,010,476
TOTAL LIABILITIES	243,194	295,064	314,376	412,695	(254,854)	1,010,476

OTHER INFORMATION						
Increase in tangible and intangible fixed assets	23,290	15,461	24,004	760	(487)	63,028
Depreciation, amortization and writedowns	21,959	17,881	17,172	2,020	529	59,561

Please note that the Air and Cooling Business Unit figures include the net book value of the Systèmes Moteurs Group (company name is now Sogefi Air & Cooling S.A.S.), deriving from local accounts – in other words, not including the fair value adjustment of net assets after the Purchase Price Allocation of 2011 – and only the adjustments arising from the Purchase Price Allocation and relating to the change in product warranty provisions (contingent liabilities booked upon PPA); the remaining adjustments arising from the Purchase Price Allocation are posted in column "Adjustments".

Adjustments to “Intersegment sales” mainly refer to services provided by the Holding Company Sogefi S.p.A. and by subsidiary Sogefi Gestion S.A.S. to other Group companies (see note 39 for further details on the nature of the services provided). This item also includes intersegment sales between the business units. Intersegment transactions are conducted according to the Group's transfer pricing policy.

The adjustments to “EBIT” mainly refer to depreciation and amortization linked to the revaluation of assets resulting from the acquisition of the Systemes Moteurs Group in 2011.

In the Statement of Financial Position, the adjustments to the item "Segment assets" refer to the consolidation entry of investments in subsidiaries and intercompany receivables.

Adjustments to “Unallocated assets” mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile Group, Sogefi Rejna S.p.A., the Filtrauto Group, 60% of Sogefi-MNR Engine Systems India Pvt Ltd and the Systemes Moteurs Group.
Adjustments to “Unallocated assets” mainly include the goodwill and the fixed assets revaluations resulting from the acquisitions of: the Allevard Ressorts Automobile Group, Sogefi Rejna S.p.A., the Filtrauto Group, 60% of Sogefi M.N.R. Filtration India Private Ltd (now merged into Sogefi-MNR Engine Systems India Pvt Ltd) and Systemes Moteurs Group.
“Depreciation, amortization and writedowns” include writedowns of tangible fixed assets of Euro 3,550 thousand for the most part relating to European subsidiaries.

These assets were written down based on the recoverable amount of assets at the end of the first half of 2018.

Information on the main customers

Revenues from sales to third parties as of 30 June 2018 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	*June 30, 2018*				
Group	Group		BU Filtration	BU Air & Cooling	BU Suspensions
	Amount	*%*			
Renault/Nissan	100,680	12.0	28,225	22,907	49,548
PSA	96,800	11.5	25,184	32,798	38,818
FCA/CNH Industrial	94,202	11.2	39,276	26,347	28,579
Ford	93,467	11.1	28,020	36,190	29,257

Information on geographic areas

The breakdown of revenues by geographical area is analysed in the Directors' Report and in note 22.

The following table shows a breakdown of total assets by geographical area:

(in thousands of Euro)	*June 30, 2017*					
	Europe	South America	North America	Asia	Adjust-ments	Sogefi Group consolidation
TOTAL ASSETS	1,518,707	97,798	148,701	76,724	(664,945)	1,176,985

(in thousands of Euro)	*June 30, 2018*					
	Europe	South America	North America	Asia	Adjust-ments	Sogefi Group consolidation
TOTAL ASSETS	1,582,075	80,776	164,846	78,655	(685,213)	1,221,139

C) NOTES ON THE MAIN INCOME STATEMENT ITEMS: STATEMENT OF FINANCIAL POSITION

C 1) ASSETS

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 104,357 thousand versus Euro 103,889 thousand as of 31 December 2017 and break down as follows:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Short-term cash investments	104,308	103,850
Cash on hand	49	39
TOTAL	104,357	103,889

"Short-term cash investments" earn interest at a floating rate.

For further details on changes in the various components of the net financial position, please see note 21.

As of 30 June 2018, the Group has unused lines of credit for the amount of Euro 300,676 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

Please note that this item includes cash and cash equivalents in ARS (Argentine Peso) for 10,892 thousand, i.e. the equivalent of Euro 333 thousand at the exchange rate in force on 30 June 2018 (ARS 54,253 thousand, the equivalent of Euro 2,366 thousand at the exchange rate in force on 31 December 2017) held by the Argentinian subsidiaries.

5. OTHER FINANCIAL ASSETS

"Other financial assets" can be broken down as follows:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Financial receivables	911	653
Held-to-maturity investments	-	-
Assets for derivative financial instruments	801	857
TOTAL	1,712	1,510

"Assets for derivative financial instruments" refer to the fair value of forward foreign currency contracts not designated in hedge accounting.

6. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	*June 30, 2018*			*December 31, 2017*		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	67,061	5,221	61,840	64,642	5,286	59,356
Work in progress and semi-finished products	17,245	568	16,677	16,117	626	15,491
Finished goods and goods for resale	53,966	6,553	47,413	54,773	6,692	48,081
TOTAL	138,272	12,342	125,930	135,532	12,604	122,928

The net value of inventories increased by Euro 3,002 thousand compared to 31 December 2017 (at constant exchange rates the increase would be Euro 6,233 thousand). This increase is due to the start of operations of the new plant in Morocco for Euro 1,289 thousand and, for the remainder, to the usual seasonal trends.

7. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Trade receivables	190,064	172,136
Less: allowance for doubtful accounts	4,242	4,661
Trade receivables, net	185,822	167,475
Due from Parent Company	3,526	6,484
Tax receivables	25,000	23,062
Other receivables	7,627	5,508
Other assets	4,747	2,304
TOTAL	226,722	204,833

“Trade receivables” are non-interest bearing and have an average due date of 33 days, against 36 days at the end of the previous year.

It should be noted that as of 30 June 2018, the Group factored trade receivables for Euro 108,577 thousand (Euro 94,885 thousand as of 31 December 2017), including an amount of Euro 95,317 thousand which was not notified (Euro 83,582 thousand as of 31 December 2017) and for which the Group continues to manage collection services. The risks and benefits related to these receivables have been transferred to the factor; therefore these receivables have been derecognised in the Statement of Financial Position debiting the consideration received from the factoring company.

Excluding the factoring transactions (Euro 108,577 thousand as at 30 June 2018 and Euro 94,885 thousand as at 31 December 2017) and the negative effect of exchange rates (Euro 3,841 thousand), net trade receivables show an increase of Euro 35,880 thousand mainly as a result of the increase in the Group’s business activities which occurred in the second quarter of 2018 with respect to the end of the previous year.

“Due from Holding Company” includes net receivables resulting from the participation in the Group tax filing system, due to Italian companies from the Holding Company CIR S.p.A.. Outstanding receivables as at 31 December 2017 were collected for a total of Euro 6,121 thousand in the first half of 2018. For further details, please refer to note 39.

“Tax receivables” include tax credits due to Group companies by the tax authorities of various countries for direct and indirect taxation.
It does not include deferred tax assets which are treated separately.

"Other receivables" break down as in the following table:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Amounts due from social security institutions	170	127
Amounts due from employees	212	186
Advances to suppliers	3,948	2,940
Due from others	3,294	2,255
TOTAL	7,624	5,508

“Other assets” mainly consist of accrued income and prepayments on insurance premiums and indirect taxes on buildings.
The increase in this item is seasonal and it is mainly due to the prepaid insurance policies, the indirect taxes on buildings, and the IT maintenance fees paid in the first few months of the year but relative to the year as a whole.

8. TANGIBLE FIXED ASSETS

The net carrying amount of tangible fixed assets as of 30 June 2018 amounted to Euro 386,400 thousand versus Euro 384,477 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	Land	Buildings, plant and machinery, commercial and industrial equipment	Other assets	Assets under construction and payments on account	*Tooling*	*Tooling in corso*	*TOTALE*
Balance at December 31, 2017							
Historical cost	13,089	840,857	28,807	48,133	165,333	27,249	1,123,468
of which: leases - gross value	-	*15,008*	*78*	-	-	-	*15,086*
Accumulated depreciation	51	630,767	23,223	1,049	83,901	-	738,991
of which: leases - accumulated depreciation	-	*9,235*	*78*	-	-	-	*9,313*
Net value	13,038	210,090	5,584	47,084	81,432	27,249	384,477
of which: leases - net value	-	*5,773*	-	-	-	-	*5,773*
Balance at December 31, 2017	13,038	210,090	5,584	47,084	81,432	27,249	384,477
Additions of the period	-	5,512	400	21,587	2,909	14,671	45,079
Disposals during the period, net	-	(315)	(6)	-	-	-	(321)
Exchange differences	(44)	(2,457)	(463)	(190)	(747)	(223)	(4,124)
Depreciation for the period	-	(19,139)	(1,222)	-	(17,100)	-	(37,461)
Writedowns/revaluations during the period	-	(1,436)	(62)	-	(420)	(81)	(1,999)
Reclassification of non-current assets held for sale	-	1,076	-	-	-	-	1,076
Other changes	(44)	13,472	2,149	(16,477)	3,090	(2,518)	(328)
Balance at June 30, 2018	12,950	206,804	6,380	52,004	69,164	39,098	386,400
Historical cost	13,038	845,569	32,340	53,053	169,977	39,182	1,153,159
of which: leases - gross value	-	*15,357*	*80*	-	-	-	*15,437*
Accumulated depreciation	88	638,766	25,960	1,049	100,813	84	766,760
of which: leases - accumulated depreciation	-	*10,176*	*80*	-	-	-	*10,256*
Net value	12,950	206,804	6,380	52,004	69,164	39,098	386,400
of which: leases - net value	-	*5,181*	-	-	-	-	*5,181*

Investments during the period amounted to Euro 45,079 thousand and mainly refer to “Assets under construction and payments on account" and "Tooling under construction".

In the category "Assets under construction and payments on account" the main investments concerned in particular the subsidiary Filter Systems Maroc S.a.r.l. for the new Moroccan establishment relating to the Filtration business unit, the subsidiary Sogefi (Suzhou) Auto Parts Co, Ltd for the new Chinese plant relating to the Suspension business unit and for the development of new products, the French companies Sogefi Filtration S.A. and Sogefi Suspensions S.A. for extraordinary maintenance and the increase in production capacity, Sogefi Suspension Brasil Ltda for the development of new products, S.C. Sogefi Air & Cooling S.r.l. for the increase in production capacity and Sogefi USA Inc. for the development of new products and the improvement of production processes.

In the category “Tooling under construction” the main investments concerned in particular the subsidiaries Sogefi Air & Cooling S.A.S., Sogefi Engine Systems

Mexico S. de R.L. de C.V., Sogefi (Suzhou) Auto Parts Co., Ltd and Sogefi-MNR Engine Systems India Pvt Ltd..

During the first half year 2018, no relevant disposals were made.

“Depreciation for the period” has been recorded in the appropriate item in the Income Statement.

“Writedowns/revaluations during the period” totalled Euro 1,999 thousand and mainly relates to the subsidiaries Sogefi Filtration d.o.o. and Sogefi Suspensions S.A..

“Other changes” refer mainly to the completion of projects that were under way at the end of the previous year and their reclassification under the pertinent items.

Guarantees

As of 30 June 2018, tangible fixed assets are encumbered by mortgages or liens totalling Euro 1,285 thousand to guarantee loans from financial institutions, compared to Euro 1,828 thousand as of 31 December 2017. Existing guarantees refer to subsidiary Sogefi Air & Cooling Canada Corp..

Purchase commitments

As at 30 June 2018, there are binding commitments to buy tangible fixed assets for the amount of Euro 2,056 thousand (Euro 785 thousand as at 31 December 2017). Said commitments will be settled for the most part within 12 months.

Leases

The carrying value of fixed assets under financial leases as of 30 June 2017 was Euro 15,437 thousand, and the related accumulated depreciation amounted to Euro 10,256 thousand.

The financial aspects of the lease payments and their due dates are explained in note 15.

9. INTANGIBLE ASSETS

At 30 June 2018 intangible assets amount to Euro 288,154 thousand against Euro 290,481 thousand at the end of the previous year and break down as follows:

(in thousands of Euro)	*Develop-ment costs*	*Industrial patents and intellectual property rights, concessions licences and trademarks*	*Other, assets under constructi-on and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at December 31, 2017							
Historical cost	253,656	68,782	25,435	19,215	8,437	149,537	525,062
Accumulated amortization	161,992	35,108	5,440	6,352	2,791	22,898	234,581
Net value	91,664	33,674	19,995	12,863	5,646	126,639	290,481
Balance at December 31, 2017	91,664	33,674	19,995	12,863	5,646	126,639	290,481
Additions of the period	10,061	312	7,578	-	-	-	17,951
Disposals during the period, net	-	-	-	-	-	-	-
Exchange differences	(104)	1	(74)	-	-	-	(177)
Amortization for the period	(15,621)	(1,972)	(245)	(495)	(217)	-	(18,550)
Writedowns / revaluations during the period	(1,501)	-	(50)	-	-	-	(1,551)
Other changes	6,262	3,298	(9,560)	-	-	-	-
Balance at June 30, 2018	90,761	35,313	17,644	12,368	5,429	126,639	288,154
Historical cost	266,465	72,272	23,215	19,215	8,437	149,541	539,145
Accumulated amortization	175,704	36,959	5,571	6,847	3,008	22,902	250,991
Net value	90,761	35,313	17,644	12,368	5,429	126,639	288,154

Investments in the half year amounted to Euro 17,951 thousand.

The increases in "Development costs" refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers. The most significant investments refer to the subsidiaries Sogefi (Suzhou) Auto Parts Co., Ltd, Sogefi Filtration S.A., Sogefi Engine Systems Mexico S. de R.L. de C.V. and Sogefi Air & Cooling Canada Corp..

Increases in "Industrial patents and intellectual property rights, concessions, licences and trademarks" refer mainly to the development and implementation of the new information system across the Sogefi Group. This integrated information system is amortised on a ten-year basis, based on its estimated useful life, starting from the date of implementation in each subsidiary.

Increases in "Other, assets under construction and payments on account" refer mainly to a large number of investments in the development and implementation of the new information system across the Sogefi Group. Among these, the most significant were recognised for the subsidiaries Filter Systems Maroc S.a.r.l., Sogefi Filtration d.o.o., Sogefi Air & Cooling S.A.S. and Sogefi Suspensions S.A..

"Writedowns/revaluations during the period" totalled Euro 1,551 thousand and relates to no longer recoverable research and development projects, mainly of the subsidiary Sogefi Filtration d.o.o..

There are no intangible assets with an indefinite useful life except for goodwill.

The specific goodwill of the CGU “filtration” amounts to Euro 77,030 thousand; the goodwill of CGU “Air and Cooling” amounts to Euro 32,560 thousand; and the goodwill of C.G.U. “Car Suspension” amounts to Euro 17,049 thousand.

10. INVESTMENTS IN JOINT VENTURES

As at 30 June 2018, this item amounts to zero.

11. OTHER FINANCIAL ASSETS

As at 30 June 2018, this item amounts to Euro 46 thousand, unchanged compared to the previous fiscal year.

12. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Financial receivables total Euro 2,626 thousand (Euro 2,215 thousand as of 31 December 2017) and refer to the fair value of Cross Currency Swap (CCS) hedging contracts. For further details, please refer to note 46.

“Other receivables” break down as follows:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Indemnification asset	9,735	9,735
Other receivables	28,921	27,647
TOTAL	38,656	37,382

“Other receivables” include an indemnification asset of Euro 9,735 thousand owed by the seller of Sogefi Air & Cooling S.A.S.’s shares. – booked upon the PPA of the Systemes Moteurs Group – relating to the recovery of expenses charged by customers following claims on the quality of products sold, based on warranties given by the same seller.
Please refer to note 2 for further details, “Consolidation principles and accounting policies”.

The item “Other receivables” also includes tax credits relating to the research and development activities of the French subsidiaries, other tax credits and non-interest bearing guarantee deposits for leased properties. These receivables will be collected over the coming years.

13. DEFERRED TAX ASSETS

As at 30 June 2018, this item amounts to Euro 44,191 thousand compared to Euro 45,646 thousand as of 31 December 2017.
This amount mainly relates to the expected benefits on deductible temporary differences, booked to the extent that it is likely to be recovered.

This item also includes deferred tax assets for tax losses of Euro 5,302 thousand (Euro 6,568 thousand as at 31 December 2017).

Taxes for tax losses incurred during the year amount to Euro 144 thousand and relate to subsidiary Sogefi Filtration d.o.o..

Taxes for tax losses incurred in previous years amount to Euro 5,158 thousand and relate to subsidiaries Sogefi Air & Cooling S.A.S. (Euro 3,528 thousand, Euro 4,239 thousand as at 31 December 2017), Sogefi (Suzhou) Auto Parts Co., Ltd (Euro 859 thousand) and Sogefi Filtration Spain S.A.U. (Euro 771; Euro 1,021 thousand as at 31 December 2017).
With regard to the above mentioned subsidiaries, these taxes were recognised because it is believed to be probable that taxable income will be available in the future - within the time frame of the business plan - against which such tax losses can be utilised. Such probability is determined based on the fact that losses have originated under extraordinary circumstances that are unlikely to occur again, such as restructuring plans currently under way or occurred in the past.
The losses of the French and Spanish subsidiaries can be carried forward indefinitely but new law passed in 2012 in France and in 2016 in Spain has maintained a limit for the amount that can be utilised each year, making recovery time longer. The losses of the Slovenian subsidiary can also be carried forward indefinitely but there is a limit for the amount that can be utilised each year. The losses of the Chinese subsidiary can be carried forward over a period of up to 5 years since they were incurred.

14. NON-CURRENT ASSETS HELD FOR SALE

As at 30 June 2018, non-current assets held for sale total Euro 2,341 thousand and relate to the plot of land and building of the Lieusaint site owned by the subsidiary Sogefi Suspensions S.A., which were classified to “Non-current assets held for sale” as they will be sold in the next twelve months.

C 2) LIABILITIES AND EQUITY

15. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Bank overdrafts and short-term loans	2,060	14,170
Current portion of medium/long-term financial debts	76,035	66,584
of which: leases	*1,744*	*1,679*
Total loans maturing within one year	76,035	66,584
TOTAL SHORT-TERM FINANCIAL DEBTS	78,095	80,754
Other short-term liabilities for derivative financial instruments	228	2,678
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	78,323	83,432

Non-current portion

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Financial debts to banks	113,783	101,993
Other medium/long-term financial debts	176,164	186,224
of which: leases	*5,679*	*6,408*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	289,947	288,217
Other medium/long-term liabilities for derivative financial instruments	-	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	289,947	288,217

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the Net Financial Position included in note 21 and to the Consolidated Cash Flow Statement included in the financial statements.

Current and non-current portions of medium/long-term financial debts

Details are as follows (in thousands of Euro):

Balance at 30 June 2018:

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guaran-tees
Sogefi S.p.A.	ING Bank	July - 2015	Sept - 2022	55,000	Euribor 3m + 165 bps	10,000	39,896	49,896	N/A
Sogefi S.p.A.	BNP Paribas S.A.	Sept - 2014	Nov - 2019	35,000	Euribor 3m + 153 bps	-	34,984	34,984	N/A
Sogefi S.p.A.	Mediobanca S.p.A	Jun- 2017	Jun- 2020	20,000	Euribor 3m + 110 bps	0	19,981	19,981	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	May - 2018	Sept - 2020	20,000	0.98% fixed	8,372	11,608	19,980	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Sept - 2015	Sept - 2018	19,000	Euribor 3m + 130 bps	3,793	0	3,793	N/A
Sogefi S.p.A.	Banca Carige Italia S.p.A	Nov - 2015	Jun - 2019	10,000	Euribor 6m + 130 bps	2,883	0	2,883	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2017	Nov - 2018	7,715	107% PBOC 6m	7,715	-	7,715	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Jan- 2018	May - 2019	5,071	107% PBOC 6m	5,071	-	5,071	N/A
S.C. Sogefi Air&Cool Srl	ING Bank	Jan - 2018	May - 2020	4,718	ROBOR 3m + 1.75%	1,897	1,897	3,795	N/A
Sogefi Air & Cooling Canada Corp.	Ge Capital	Sept - 2015	Sept - 2019	3,886	4.207% fixed	1,023	262	1,285	SI
Sogefi Filtration S.A.	Société Générale	Apr - 2017	Oct - 2019	5,000	Euribor 3m + 75 bps	2,500	1,257	3,757	N/A
Sogefi Suspensions S.A.	Société Générale	Apr - 2017	Oct - 2019	5,000	Euribor 3m + 75 bps	2,500	1,257	3,757	N/A
Sogefi Air&Cooling S.A.S.	Société Générale	May - 2017	Nov - 2019	5,000	Euribor 3m + 75 bps	1,247	2,510	3,757	N/A
Sogefi Filtration S.A.	BNP Paribas S.A.	Apr - 2018	Jan - 2020	5,000	Euribor 3m + 60 bps	5,000	0	5,000	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau	Jan - 2018	Jan - 2019	1,117	3.84% fixed	1,117	-	1,117	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau	Apr - 2018	Apr - 2019	1,114	4.05% fixed	1,114	-	1,114	N/A
Other financial debts						21,803	130	21,933	
TOTALE						76,035	113,783	189,818	

Line “Other loan” includes other minor loans, as well as financial lease payments in accordance with IAS 17.

Balance at 31 December 2017:

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guaran-tees
Sogefi S.p.A.	BNP Paribas S.A.	Sept - 2014	Nov - 2019	35,000	Euribor 3m + 153 bps	-	34,993	34,993	N/A
Sogefi S.p.A.	ING Bank	July - 2015	Sept - 2022	55,000	Euribor 3m + 165 bps	10,000	34,876	44,876	N/A
Sogefi S.p.A.	Mediobanca S.p.A	Jun- 2017	Jun- 2020	20,000	Euribor 3m + 110 bps	-	19,976	19,976	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Sept - 2015	Sept - 2018	19,000	Euribor 3m + 130 bps	7,580	-	7,580	N/A
Sogefi S.p.A.	Banca Carige S.p.A	Nov - 2015	Jun - 2019	10,000	Euribor 6m + 130 bps	2,885	1,425	4,310	N/A
Sogefi Filtration S.A.	Société Générale	Apr - 2017	Oct - 2019	5,000	Euribor 3m + 75 bps	2,490	2,510	5,000	N/A
Sogefi Suspensions S.A.	Société Générale	Apr - 2017	Oct - 2019	5,000	Euribor 3m + 75 bps	2,491	2,509	5,000	N/A
Sogefi Air&Cooling S.A.S.	Société Générale	May - 2017	Nov - 2019	5,000	Euribor 3m + 75 bps	2,491	2,509	5,000	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	Aug - 2017	May - 2018	5,941	106.4% PBOC 6m	5,941	-	5,941	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2017	Nov - 2018	6,347	107% PBOC 6m	6,347	-	6,347	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Commerz bank	July - 2017	Jan - 2018	705	106% PBOC 6m	705	-	705	N/A
Sogefi Air & Cooling Canada Corp.	Ge Capital	Sept - 2015	Sept - 2019	3,990	4.207% fixed	1,028	800	1,828	SI
Sogefi Filtration do Brasil Ltda	Banco do Brasil	Aug - 2017	Aug - 2018	1,166	3.84% fixed	1,166	-	1,166	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau	Nov - 2017	May - 2018	600	5% fixed	600	-	600	N/A
Sogefi Filtration do Brasil Ltda	Banco do Brasil	Apr - 2017	Apr - 2018	1,458	4.05% fixed	1,458	-	1,458	N/A
S.C. Sogefi Air & Cooling S.r.l	ING Bank	May - 2016	May - 2020	4,602	ROBOR 3m + 1.75%	1,416	2,124	3,540	N/A
Other financial debts						19,986	272	20,257	
TOTALE						66,584	101,993	168,577	

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the fair value of exchange risk hedging contracts and interest risk hedging contracts.
Please refer to chapter G for a further discussion of this matter.

Other medium/long-term financial debts

Details are as follows:

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Total amount at June 30, 2018	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	56,151	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24,974	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100,000	Fixed coupon 2% year	87,593	N/A
Other financial debts						7,446	
TOTAL						176,164	

Please note that an amount of Euro 14,092 thousand relating to the bond issue of original USD 115,000 thousand was classified under "Current portion of medium/long-term financial debts" because redemption will occur by 30 June 2019.

The line "Other medium/long-term financial debts" includes other minor loans.

As at 31 December 2017, details are as follows:

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Total amount at December 31, 2017	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	68.253	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24.967	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100,000	Fixed coupon 2% year	85.678	N/A
Other financial debts						7.326	
TOTAL						186.224	

In May 2018, the Holding Company Sogefi S.p.A. took out a loan with Banco do Brasil S.A. in amortised instalments, with a final instalment falling due in September 2020, for a total amount of Euro 20 million at a fixed rate of 98 basis points; the loan had been fully drawn down at 30 June 2018.
Also in May 2018, the Holding Company Sogefi S.p.A. took out a revolving loan with Intesa Sanpaolo S.p.A. for a total amount of Euro 50 million with a duration of five years. This loan accrues floating rate interest linked to Euribor plus a spread of 155 basis points. At 30 June 2018 Sogefi S.p.A. has not drawn any money on this loan.
With reference to the bond loan originally for Usd 115 million expiring in May 2023, as per the relative contract the Holding Company Sogefi S.p.A. paid the second instalment in May, for a total sum of Usd 16.4 million.
The existing loans are not secured by the Holding Company Sogefi S.p.A.'s assets. Furthermore, note that, contractually, the spreads relating to the loans of the Holding Company Sogefi S.p.A. are reviewed every six months on the basis of the computation of the consolidated NFP/normalised consolidated EBITDA ratio. For an analysis of the covenants relating to loans outstanding at the end of the period, please refer to the note 21 below entitled "Analysis of the financial position".

Other medium/long-term financial liabilities for derivative financial instruments
Please refer to chapter G for a further discussion of this matter.
Finance leases
The Group has finance leases as well as rental and hire contracts for building, plant and machinery that, according to their type, cover almost the entire useful life of the asset concerned. The assets held under these leases, rental and hire contracts are booked in accordance with IAS 17 as though they were fixed assets owned by the company, disclosing their historical cost, depreciation, financial cost and residual liability.

Future payments deriving from these contracts can be summarised as follows:

(in thousands of Euro)	Instalments	Capital
Within 12 months	2,058	1,744
Between 1 and 5 years	6,239	5,679
Beyond 5 years	-	-
Total lease payments	8,297	7,423
Interests	(874)	-
TOTAL PRESENT VALUE OF LEASE PAYMENTS	7,423	7,423

16. TRADE AND OTHER CURRENT PAYABLES

The amounts shown in the financial statements can be broken down into the following categories:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Trade and other payables	388,798	373,181
Tax payables	11,570	7,817
TOTAL	400,368	380,998

Details of trade and other payables are as follows:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Due to suppliers	299,370	283,805
Due to Parent company	1,780	4,611
Due to tax authorities for indirect and other taxes	9,287	9,287
Due to social and security institutions	18,807	20,354
Due to employees	32,764	31,871
Fair value put option	16,423	14,997
Other payables	10,367	8,256
TOTAL	388,798	373,181

Amounts "Due to suppliers " are not interest-bearing and are settled on average in 73 days (67 days at 31 December 2017).

The amounts "Due to suppliers" increased by Euro 15,565 thousand (by Euro 19,733 thousand at constant exchange rates); this is mainly due to business growth in the second quarter of 2018 compared to the last quarter of 2017 and to the increase in average payment time.

Amounts “Due to the Holding company” refer to the debt amounting to Euro 320 thousand due to the Holding Company CIR S.p.A. for services rendered in the first half of 2018 (Euro 250 thousand in the first half of 2017); Euro 959 thousand reflect the consideration due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; the amount of Euro 501 thousand reflects the tax liabilities in connection with the CIR Group tax filing system.

The increase in amounts “Due to employees” is highly seasonal and is due mainly to provisions for vacation accrued and not yet utilised and the Italian 13th month salaries that will be paid to employees in the coming months.

Item “Fair value put option” reflects the fair value of the liability generated when the non-controlling shareholders of subsidiary Sogefi M.N.R. exercised their put option. Engine Systems India Pvt Ltd, on 30% of its share capital. The fair value of the liability represents a reasonable estimate of the option exercise price, and was determined using the method that involves discounted cash flows method, based on the cash flows of the 2018 budget and the plan for 2019-2022 of the affected subsidiary, also taking into account the information resulting from the ongoing purchase process.
The increase, in the amount of Euro 1,426 thousand, was booked to “Financial expenses (income), net”.

The increase in "Income tax payables" is mainly due to the taxes accrued in the first half of 2018.

17. OTHER CURRENT LIABILITIES

“Other current liabilities” mainly includes liabilities recognised for the adoption of IFRS15. These liabilities represent the amounts received from customers for the sale of “tooling” and “prototypes” that will be recognised in the income statement over the life of the product.
This item also includes adjustments to costs and revenues for the period so as to ensure compliance with the accruals based principle (accrued expenses and deferred income) and advances received from customers for orders still to be delivered.

18. LONG-TERM PROVISIONS AND OTHER PAYABLES

Long-term provisions

These are made up as follows:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Pension funds	47,127	48,713
Employment termination indemnities	5,047	5,425
Provision for restructuring	2,090	2,623
Provision for product warranties and other risks	18,282	18,214
Lawsuits	10,995	12,074
TOTAL	83,541	87,049

Details of the main items are given below.

Pension funds

Changes in this item over the period are shown below:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Opening balance	48,713	53,198
Cost of benefits charged to income statement	1,535	3,816
Amounts recognised in "Other Comprehensive Income"	(1,137)	(3,416)
Contributions paid	(2,029)	(4,091)
Exchange differences	45	(794)
TOTAL	47,127	48,713

The following table shows the balances of pension funds by geographical area of the relevant subsidiaries:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Great Britain	19,061	21,008
France	24,738	24,367
Other	3,328	3,338
TOTAL	47,127	48,713

Employment termination indemnities

Changes in this item over the period are shown below:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Opening balance	5,425	5,996
Accruals for the period	51	124
Amounts recognised in "Other Comprehensive Income"	-	(14)
Contributions paid	(429)	(681)
TOTAL	5,047	5,425

Provision for restructuring

These are amounts set aside for restructuring operations that have been officially announced and communicated to those concerned, as required by IAS/IFRS.

The provision changed as follows during the period:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Opening balance	2,623	2,106
Accruals for the period	1,126	1,696
Utilizations	(1,626)	(890)
Provisions not used during the period	(33)	(278)
Other changes	-	-
Exchange differences	-	(11)
TOTAL	2,090	2,623

The "Accruals for the period" and "Utilizations" (recorded as a reduction of the provisions previously allocated) mainly refer to the European companies of the Group.

Changes in "Accruals for the period" net of the "Provisions not used during the period" (amounts set aside during previous years in excess of amounts actually paid), are booked to the Income Statement.

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Opening balance	18,214	19,081
Accruals for the period	425	1,248
Utilizations	(344)	(2,062)
Provisions not used during the period	-	(15)
Other changes	-	-
Exchange differences	(13)	(38)
TOTAL	18,282	18,214

The item reflects for the most part liabilities connected with product warranty risks of the Systèmes Moteurs Group for the amount of Euro 16,300 thousand. Please refer to note 2 for further details, "Consolidation principles and accounting policies".

Provision for lawsuits and other risks

The provision changed as follows during the period:

(in migliaia di Euro)	*June 30, 2018*	*December 31, 2017*
Saldo iniziale	12,074	8,936
Accantonamenti del periodo	46	7,824
Utilizzi	(685)	(2,943)
Mancati utilizzi del periodo	-	(650)
Altri movimenti	230	(103)
Differenze cambio	(670)	(990)
TOTALE	10,995	12,074

The provision includes liabilities toward employees and third parties. Amounts stated in the financial statements represent the best possible estimates of liabilities at the reporting date.

Other payables
The item "Other payables" mainly includes the non-current portion of liabilities recorded in connection with the adoption of IFRS 15. These liabilities represent the amounts received from customers for the sale of “tooling” and “prototypes” that will be recognised in the income statement over the life of the product.

19. DEFERRED TAX LIABILITIES

As of 30 June 2018, this item amounts to Euro 44,616 thousand compared to Euro 40,640 thousand as of 31 December 2017.
This amount relates to the expected taxation on taxable temporary differences.

20. SHARE CAPITAL AND RESERVES

Share capital
The share capital of the Holding Company Sogefi S.p.A. is fully paid in and amounts to Euro 62,461 thousand as of 30 June 2018 (Euro 62,394 thousand as of 31 December 2017), split into 120,117,992 ordinary shares with a par value of Euro 0.52 each.

As at 30 June 2018, the Company has 2,620,111 treasury shares (2,698,195 as at 31 December 2017) in its portfolio, corresponding to 2.18% of share capital (2.25% as at 31 December 2017), at an average price of Euro 2.28 each.

Reserves and retained earnings (accumulated losses)
These are made up as follows:

(in thousands of Euro)	*Share capital*	*Legal reserve*	*Share premium reserve*	*Reserve for treasury shares*	*Treasury shares*	*Stock-based incentive plans reverve*	*Translation reserve*	*Cash flow hedging reserve*	*Actuarial gain (loss) reserve*	*Tax on items booked in Other Comprehensive Income*	*Other reserves*	*Retained earnings*	*Net result for the period*	*Total*
Balance at December 31, 2016	*62,065*	*12,640*	*16,159*	*6,572*	*(6,572)*	*2,992*	*(30,594)*	*(9,555)*	*(42,338)*	*15,200*	*12,201*	*113,158*	*9,336*	*161,264*
Paid share capital increase	228	-	673	-	-	-	-	-	-	-	-	-	-	901
Allocation of 2016 net profit:								-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	9,336	(9,336)	-
Credit to equity for stock-based incentive plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fair value measurement of embedded derivative (conversion option)	-	-	-	-	-	265	-	-	-	-	-	-	-	265
Other changes	-	-	262	(262)	262	(292)	-	-	-	-	-	(21)	-	(51)
Fair value measurement of cash flow hedging instruments: share booked to equity	-	-	-	-	-	-	-	1,604	-	-	-	-	-	1,604
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	-	842	-	-	-	-	-	842
Actuarial gain (loss)	-	-	-	-	-	-	-	-	2,844	-	-	-	-	2,844
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	- (10,661)	- -	- -	(1,070) -	- -	- -	- -	(1,070)
Currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,661)
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	19,352	19,352
Balance at June 30, 2017	*62,293*	*12,640*	*17,094*	*6,310*	*(6,310)*	*2,965*	*(41,255)*	*(7,109)*	*(39,494)*	*14,130*	*12,201*	*122,473*	*19,352*	*175,290*
Balance at December 31, 2017	*62,394*	*12,640*	*17,542*	*6,161*	*(6,161)*	*2,528*	*(49,273)*	*(5,301)*	*(38,908)*	*13,313*	*12,201*	*123,683*	*26,600*	*177,419*
Paid share capital increase	*67*	-	*186*	-	-	-	-	-	-	-	-	-	-	*253*
Allocation of 2017 net profit:							-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	26,600	(26,600)	-
Credit to equity for stock-based incentive plans	-	-	-	-	-	358	-	-	-	-	-	-	-	358
Other changes	-	-	178	(178)	178	(172)	-	-	-	-	-	(41)	-	(35)
Fair value measurement of cash flow hedging instruments: share booked to equity	-	-	-	-	-	-	- -	275	-	-	-	-	-	275
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	-	1,383	-	-	-	-	-	1,383
Actuarial gain (loss)	-	-	-	-	-	-	-	-	1,137	-	-	-	-	1,137
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(591)	-	-	-	(591)
Currency translation differences	-	-	-	-	-	-	(6,494)	-	-	-	-	-	-	(6,494)
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	17,045	17,045
Balance at June 30, 2018	*62,461*	*12,640*	*17,906*	*5,983*	*(5,983)*	*2,714*	*(55,767)*	*(3,643)*	*(37,771)*	*12,722*	*12,201*	*150,242*	*17,045*	*190,750*

Share premium reserve

It amounts to Euro 17,906 thousand compared to Euro 17,542 thousand in the previous year.

The increase by Euro 186 thousand accounts for share subscriptions under stock option plans.

In the first half year 2018, the Holding Company Sogefi S.p.A. credited Euro 178 thousand to the Share premium reserve after the free grant of 78,084 treasury shares to Stock Grant beneficiaries.

Treasury shares

Item “Treasury shares” reflects the purchase price of treasury shares. Movements during the year amount to Euro 178 thousand and reflect the free grant of 78,084 treasury shares as reported in the note to “Stock-based incentive plans reserve”.

Translation reserve

This reserve is used to record the exchange differences arising from the translation of foreign subsidiaries' financial statements.

Changes during the period show a decrease of Euro 6,494 thousand mainly due to the South American subsidiaries.

Reserve for actuarial gains/losses

This reserve reflects the net impact of the application of the amendment to IAS 19 “Employee Benefits” on other actuarial gains (losses) as at 1 January 2012. The item also includes actuarial gains and losses accrued after 1 January 2012 and recognised under Other Comprehensive Income.

Cash flow hedging reserve

This reserve has changed as a result of accounting for the cash flows deriving from instruments that for IAS 39 purposes are designated as “cash flow hedging instruments”. Changes during the period show an increase of Euro 1,658 thousand which breaks down as follows:

- increase of Euro 239 thousand as a consequence of the change after 31 December 2017 in the fair value of the effective hedging contracts;
- increase of Euro 1,419 thousand reflecting the portion of the negative reserve relating to contracts no longer in hedge accounting that will be recognised to the Income Statement over the same period of time as the differentials relating to the underlying hedged item.

Stock-based incentive plans reserve

The reserve refers to credit to equity for stock-based incentive plans, assigned to Directors, employees and co-workers, resolved after 7 November 2002, including the portion relating to the stock grant plan approved in 2018.

In 2018, further to Stock Grant Plan beneficiaries exercising their rights and due to the corresponding free grant of 78,084 treasury shares, the amount of Euro 172 thousand, corresponding to the fair value at right (Unit) allocation date, was reclassified from “Stock- based incentive plans reserve” to “Share premium reserve” (increased of Euro 178 thousand) and “Retained earnings reserve” (decreased of Euro 6 thousand).

While the increase by Euro 358 thousand refers to the cost of accruing plans.

Other reserves
This item amounts to Euro 12,201 thousand (unchanged compared to 31 December 2017).

Retained earnings
These totalled Euro 150,242 thousand and include amounts of profit that have not been distributed.
The decrease of Euro 41 thousand refers to the following events:

- the interest held by subsidiary Sogefi Suspensions S.A. in Allevard IAI Suspensions Pvt Ltd from 75.67% to 74.23% through a share capital increase (Euro 104 thousand, resolved and paid out) only subscribed by non-controlling interests that led to an amount of Euro 35 thousand being reclassified between non-controlling interests' and Group's shareholders' equity;
- reclassification from the above mentioned "Stock-based incentive plans reserve" as outlined above for a total of Euro 6 thousand.

Tax on items booked in Other Comprehensive Income
The table below shows the amount of income taxes relating to each item of Other Comprehensive Income:

(in thousands of Euro)	*1st half 2018*			*1st half 2017*		
	Gross Amount	Tax effect	Net Amount	Gross Amount	Tax effect	Net Amount
- Profit (loss) booked to cash flow hedge reserve	1,658	(398)	1,260	2,446	(587)	1,859
- Actuarial profit (loss)	1,137	(193)	944	2,844	(483)	2,361
- Profit (loss) booked to translation reserve	(6,491)	-	(6,491)	(10,825)	-	(10,825)
Total Other Comprehenive Income, net of tax effect	(3,696)	(591)	(4,287)	(5,535)	(1,070)	(6,605)

NON-CONTROLLING INTERESTS

The balance amounts to Euro 19,912 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

The reserve increased by Euro 35 thousand during the first half of 2018 (booked to “Other changes” in the “Consolidated Statement of Changes in Equity”) referred to the above mentioned change in the interest held in subsidiary Allevard IAI Suspensions Pvt Ltd.

Details of non-controlling interests are given below:

(in thousands of Euro)		*% owned by third parties*			*Loss (profit) attributable to non-controlling interests*		*Shareholders' equity attributable to non-controlling interests*	
Subsidiary's name	Region	June 30, 2018	r 31, 2017	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	r 31, 2017
S.ARA Composite S.A.S.	France	4.02%	4.21%	4.57%	(16)	(38)	309	325
Iberica de Suspensiones S.L.	Spain	50.00%	50.00%	50.00%	2,073	2,274	16,477	14,403
Shanghai Allevard Spring Co., Ltd	China	39.42%	39.42%	39.42%	36	(55)	2,399	2,336
Allevard IAI Supensions Pvt Ltd	India	25.33%	25.33%	25.77%	(43)	(70)	660	588
Sogefi-MNR Engine Systems India Pvt	India	30.00%	30.00%	30.00%	-	-	-	-
Sogefi Filtration Italy S.p.A	Italy	0.12%	0.12%	0.12%	-	3	35	41
Sogefi Suspensions Passenger Car Italy	Italy	0.12%	0.12%	0.12%	-	1	19	19
Sogefi Suspensions Heavy Duty Italy Srl	Italy	0.12%	0.12%	0.12%	5	2	13	12
TOTAL					2,055	2,117	19,912	17,724

Specifically, 50% owned company Iberica de Suspensiones S.L. is treated as a subsidiary because the Group controls the majority of votes of the Board of Directors, which is the corporate body tasked with deciding on the entity's relevant activities.

21. ANALYSIS OF THE NET FINANCIAL POSITION

The following table provides details of the net financial position as required by Consob in its communication no. DEM/6064293 of 28 July 2006 with a reconciliation of the net financial position shown in the report on operations:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
A. Cash	104,357	103,889
B. Other cash at bank and on hand (held-to-maturity investments)	-	-
C. Financial instruments held for trading	-	-
D. Liquid funds (A) + (B) + (C)	**104,357**	**103,889**
E. Current financial receivables	**1,712**	**1,510**
F. Current payables to banks	(2,060)	(14,170)
G. Current portion of non-current indebtedness	(76,035)	(66,584)
H. Other current financial debts	(228)	(2,678)
I. Current financial indebtedness (F) + (G) + (H)	**(78,322)**	**(83,432)**
J. Current financial indebtedness, net (I) + (E) + (D)	**27,746**	**21,967**
K. Non-current payables to banks	(113,783)	(101,993)
L. Bonds issued	(168,718)	(178,898)
M. Other non-current financial debts	(7,446)	(7,326)
O. Non-current financial indebtedness (K) + (L) + (M)	**(289,947)**	**(288,217)**
P. Net indebtedness (J) + (O)	**(262,201)**	**(266,250)**
Non-current financial receivables	2,626	2,215
Financial indebtedness, net including non-current financial receivables (as per the "Net financial position" included in the Report on operations)	**(259,575)**	**(264,035)**

Details of the covenants applying to loans outstanding at the end of the first half year 2018 are as follows (see note 15 for further details on loans):

- loan of Euro 20,000 thousand from Mediobanca S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 50,000 thousand from Unicredit S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 70,000 thousand from BNP Paribas S.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 55,000 thousand from Ing Bank N.V.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- loan of Euro 50,000 thousand from Intesa Sanpaolo S.p.A.: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;

- bond issue of USD 115,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4;
- bond issue of Euro 25,000 thousand: the ratio of consolidated net financial position to consolidated normalised EBITDA has to be less than or equal to 3.5; the ratio of consolidated normalised EBITDA to consolidated net financial expenses must not be less than 4.

As at 30 June 2018, these covenants were complied with.

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT

22. SALES REVENUES

Revenues from sales and services
In the first half of 2018 Sogefi reported revenues of Euro 839.1 million, up by 3.2% at constant exchange rates and down by 2.1% at historical exchange rates, compared to the same period of 2017.

Revenues from the sale of goods and services break down as follows:

By business sector:

(in thousands of Euro)	*1st half 2018*		*1st half 2017*	
	Amount	*%*	*Amount*	*%*
Suspensions	314,694	37.5	308,740	36.0
Filtration	277,171	33.0	288,615	33.7
Air&Cooling	248,881	29.7	262,337	30.6
Intercompany eliminations	(1,602)	(0.2)	(2,191)	(0.3)
TOTAL	839,144	100.0	857,501	100.0

Suspensions recorded a 7.1% growth at constant exchange rates (1.9% at current exchange rates due to the devaluation mainly of South American currencies). Filtration reported a 2.7% increase at constant exchange rates (-4.0% at current exchange rates due to the devaluation mainly of South American currencies). Finally, Air and Cooling reported a 1.2% decrease (-5.1% at current exchange rates, affected both by the drop in car production and by the trend of the Canadian dollar).

By geographic area:

(in thousands of Euro)	*1st half 2018*		*1st half 2017*	
	Amount	*%*	*Amount*	*%*
Europe	532,251	63.4	529,919	61.8
North America	145,012	17.3	156,506	18.3
South America	85,865	10.2	99,997	11.7
Asia	82,366	9.8	79,818	9.3
Intercompany eliminations	(6,350)	(0.7)	(8,739)	(1.1)
TOTAL	839,144	100.0	857,501	100.0

The business grew slightly in Europe and North America compared to the previous year (+0.7% and +1.6%, respectively, at constant exchange rates) and significantly increased in Asia and South America (+10.2% and +13.5, respectively, at constant exchange rates), recording higher growth than the market

23. SEASONAL NATURE OF SALES

The type of products sold by the company and the sectors in which the Group operates mean that revenues record a reasonably linear trend over the course of the year and are not subject to particular cyclical phenomena when considered on a like-for-like basis.

Sales by half-year period for the past two years are shown below:

(in thousands of Euro)	*1st half*	*2nd half*	*Total year*
FY 2016	798,556	775,535	1,574,091
FY 2017	857,501	790,298	1,647,799

24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Materials	445,702	447,177
Direct labour cost	63,824	66,594
Energy costs	18,330	18,567
Sub-contracted work	24,812	23,544
Ancillary materials	10,761	10,853
Variable sales and distribution costs (*)	17,279	17,305
Royalties paid to third parties on sales	3,493	3,457
Other variable costs	(364)	(608)
TOTAL	583,837	586,889

The impact of “Variable cost of sales” on revenues stands at 69.6%, up from 68.4% in the first six months of the previous year. The decrease in profitability is mainly due to the negative impact of steel price increases in the Suspension business units.

“Other variable costs” represent the portion of direct labour cost and fixed cost included in the increase in the inventory of finished goods and semi-finished products.

25. MANUFACTURING AND R&D OVERHEADS

Details are as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Labour cost	58,922	57,480
Materials, maintenance and repairs	13,209	15,156
Rental and hire charges	5,149	5,372
Personnel services	4,336	4,321
Technical consulting	5,428	4,530
Sub-contracted work	1,173	1,293
Insurance	1,131	1,591
Utilities	734	652
Capitalization	(15,194)	(12,859)
Other	2,113	2,755
TOTAL	77,001	80,291

“Manufacturing and R&D overheads” show a decrease of Euro 3,290 thousand. Decrease is Euro 503 thousand at constant exchange rates.

"Labour cost" reported an overall increase of Euro 1,442 thousand, of which Euro 283 thousand from an increase in the production function and Euro 1,159 thousand for an increase in the research and development function of the subsidiaries Sogefi Air & Cooling USA, Inc., Sogefi (Suzhou) Auto Parts Co., Ltd. Sogefi Filtration S.A., Sogefi - MNR Filtration India for the strengthening of its workforce.

The decrease of Euro 1,947 thousand in the item "Repair and maintenance expenses and materials" was affected for Euro 774 thousand by the exchange rate effect, mainly due to the South American subsidiaries, and for the remainder it is mainly related to the lower maintenance interventions in the European subsidiaries.

“Technical consulting” increased by Euro 898 thousand compared to the first half of 2017 as a consequence of a more extensive use of external consultants for improving the quality and production performance mainly in the subsidiary Sogefi Suspensions S.A..

Item “Capitalisations” increased by Euro 2,335 thousand as a result of the capitalisation of research and development expenses.

Total costs for Research and Development (not reported in the table) amount to Euro 20,424 thousand compared to Euro 19,480 thousand as of 30 June 2017.

26. DEPRECIATION AND AMORTIZATION

Details are as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Depreciation of tangible fixed assets	37,466	36,821
of which: assets under finance leases	*715*	*802*
Amortization of intangible assets	18,547	19,529
TOTAL	56,013	56,350

Item “Depreciation and amortization” amounts to Euro 56,013 thousand compared to Euro 56,350 thousand in the first half of 2017, with a negative variation of Euro 337 thousand (at constant exchange rates this item increased by Euro 1,764 thousand).

27. DISTRIBUTION AND SALES FIXED EXPENSES

The table below shows the main components of this item:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Labour cost	14,423	14,998
Sub-contracted work	2,579	2,339
Advertising, publicity and promotion	1,591	2,361
Personnel services	990	1,216
Rental and hire charges	1,114	893
Consulting	305	554
Other	452	364
TOTAL	21,454	22,725

“Distribution and sales fixed expenses” decreased by Euro 1,271 thousand. At constant exchange rates, this item would have decreased by Euro 100 thousand.

"Labour cost" reported an overall decrease of Euro 575 thousand, mainly due to the French subsidiaries, as a result of a reduction in personnel and efficiency policies, and to the South American subsidiaries due to the effect of exchange rates.

The heading "Advertising and promotions" decreased by Euro 770 thousand following the cutting of these costs in the aftermarket segment of the Filtration division.

28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Labour cost	19,495	20,161
Personnel services	2,362	2,615
Maintenance and repairs	1,290	815
Cleaning and security	1,131	1,089
Consulting	5,310	4,829
Utilities	1,432	1,695
Rental and hire charges	1,822	1,925
Insurance	947	760
Administrative, financial, tax-related and other services provided by Parent Company	380	308
Audit fees	829	903
Directors' and statutory auditors' remuneration	464	478
Sub-contracted work	256	577
Capitalization	(92)	(919)
Indirect taxes	3,672	4,333
Other fiscal charges	1,806	1,832
Other	4,020	3,427
TOTAL	45,124	44,828

In the first half of 2018, "Administrative and general expenses" increased by Euro 296 thousand compared to the previous year; the increase would have been Euro 2,131 thousand at constant exchange rates.

The decrease of Euro 666 thousand in "Labour cost" is mainly due to the effect of exchange rates.

The increase in the item "Consulting" (Euro 481 thousand more than in the first half of 2017) is mainly due to higher costs for personnel search and selection, and legal, tax and administrative consulting services.

The decrease in the item "Capitalisations", equal to Euro 827 thousand, corresponds to lower investments made by the Holding Company Sogefi S.p.A. on the SAP system compared to the first half of 2017.

"Indirect taxes" include tax charges such as property tax, taxes on sales revenues (*taxe organic* of the French companies), non-deductible VAT and taxes on professional training.

"Other fiscal charges" consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of fixed assets and on added value.

29. PERSONNEL COSTS

Personnel

Personnel costs can be broken down as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Wages, salaries and contributions	154,513	157,010
Pension costs: defined benefit plans	1,063	1,226
Pension costs: defined contribution plans	1,088	979
Participation des salaries	83	(7)
Imputed cost of stock option and stock grant plans	358	265
Other costs	78	104
TOTAL	157,183	159,584

With respect to the first half of the previous year, "Personnel costs" have decreased by Euro 2,401 thousand (-1.5%). At constant exchange rates, this item would have increased by Euro 4,873 thousand (+3.2%).

The impact of "Personnel costs" on sales revenues is 18.7%, basically in line with the first half of 2017 (18.6%).
"Wages, salaries and contributions", "Pension costs: defined benefit plans" and "Pension costs: defined contribution plans" are posted in the tables provided above at line "Labour cost".

"Other costs" is included in "Administrative and general expenses".

"Imputed cost of stock option and stock grant plans" is included in "Other non-operating expenses (income)". The following paragraph "Personnel benefits" provides details of the stock option and stock grant plans.

The average number of employees broken down by category is as follows:

(Number of employees)	*1st half 2018*	*1st half 2017*
Managers	108	109
Clerical staff	1,922	1,866
Blue collar workers	4,934	4,822
TOTAL	6,964	6,797

Personnel benefits

Sogefi S.p.A. implements stock-based incentive plans for the employees of the Company and of its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs "Stock grant plans" and "Stock option plans", the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.
In addition to the plan issued in 2018, The Group has issued plans from 2008 to 2017 of which the main details are provided blow.

Stock grant plans

The stock grant plans provide for the free assignment of conditional rights (called units) that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under these plans: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value established in the regulation.
The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.
All shares assigned under these plans will be treasury shares held by Sogefi S.p.A. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On 23 April 2018, the Board of Directors executed the 2018 stock grant plan approved by the Shareholders' Meeting on the same day to assign a maximum of 500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 415,000 Units (171,580 of which were Time-based Units and 243,420 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 23 July 2020 and ending on 23 April 2022.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as defined in the Regulation) at that date.
As at 30 June 2018 no Time Based Units or Performance Units expired as per regulation.

The fair value of the rights assigned during 2018 has been determined by an external consultant at the time the rights were assigned using the binomial option pricing model (so-called Cox, Ross and Rubinstein model) for US options and amounts to Euro 1,202 thousand overall.
Input data used for measuring the fair value of the 2018 stock grant plan are provided below:
- curve of EUR/GBP/SEK/CHF-riskless interest rates as at 23 April 2018;
- prices of the underlying (equal to price of Sogefi S.p.A. share as at 23 April 2018, and equal to Euro 3.310) and of the securities included in the benchmark basket, again as at 23 April 2018;

- standard prices of Sogefi S.p.A. share and of the securities included in the benchmark basket during the period starting on 22 March 2018 and ending on 22 April 2018 for the determination of the stock grant Performance Units limit;
- historical volatility rate of stock and exchange rates during 260 days, as at 23 April 2018;
- null dividend yield for stock grant valuation;
- historical series of the logarithmic returns of involved securities and EUR/GBP, EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the three non-EUR denominated securities and associated exchange rates (to adjust for estimated trends), calculated for the period starting on 23 April 2017 and ending on 23 April 2018.

The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:

• 2011 stock grant plan to assign a maximum of 1,250,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 757,500 Units (320,400 of which were Time-based Units and 437,100 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2013 and ending on 20 January 2015.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation.
As at 30 June 2018 29,837 Time-based Units and 134,866 Performance Units expired as per regulation. While 291,325 Time-based Units and 298,333 Performance Units had been exercised.
• 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).
The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2014 and ending on 31 January 2016.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
As at 30 June 2018 82,374 Time-based Units and 596,630 Performance Units expired as per regulation. While 392,252 Time-based Units and 74,852 Performance Units had been exercised.
• 2013 stock grant plan to assign a maximum of 1,700,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).

The Time-based Units were scheduled to vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2015 and ending on 31 January 2017.
The Performance Units were scheduled to vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) on that date.
As at 30 June 2018 256,954 Time-based Units and 608,924 Performance Units expired as per regulation. While 167,665 Time-based Units had been exercised.
• 2014 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 378,567 Units (159,371 of which were Time-based Units and 219,196 Performance Units).
Time-based Units vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 April 2016 and ending on 20 January 2018.
Performance Units vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2018 109,543 Time-based Units and 219,196 Performance Units expired as per regulation. While 46,922 Time-based Units had been exercised.
• 2015 stock grant plan to assign a maximum of 1,500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 441,004 Units (190,335 of which were Time-based Units and 250,669 Performance Units).
Time-based Units vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 20 October 2017 and ending on 20 July 2019.
Performance Units vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2018 52,425 Time-based Units and 69,043 Performance Units expired as per regulation. While 38,686 Time-based Units and 50,949 Performance Units had been exercised.
• 2016 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 500,095 Units (217,036 of which were Time-based Units and 283,059 Performance Units).
Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 27 July 2018 and ending on 27 April 2020.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
On 30 June 2018, 61,517 Time-based Units and 80,235 Performance Units expired as per regulation.
• 2017 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 287,144 Units (117,295 of which were Time-based Units and 169,849 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on 26 July 2019 and ending on 26 April 2021.
Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.
As at 30 June 2018, 9,355 Time-based Units and 14,146 Performance Units expired as per regulation.

The imputed cost for the first half of 2018 for existing stock grant plans is Euro 358 thousand, and is booked to the Income Statement under "Other non-operating expenses (income)".

The following table shows the total number of existing rights with reference to the 2011-2018 plans:

	June 30, 2018	*December 31, 2017*
Not exercised/not exercisable at the start of the year	1,036,192	1,286,966
Granted during the period	415,000	287,144
Cancelled during the period	(81,414)	(357,662)
Exercised during the period	(78,084)	(180,256)
Not exercised/not exercisable at the end of the period	1,291,694	1,036,192
Exercisable at the end of the period	59,840	53,490

The line "Not exercised/not exercisable at the end of the period" refers to the total number of options, net of those exercised or cancelled during the current and previous periods.
The line "Exercisable at the end of the period" refers to the total amount of options matured at the end of the period and not yet subscribed.

Stock option plans

The stock option plans provide beneficiaries with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.
The main characteristics of the *stock option* plans approved during previous years and still under way are outlined below:
• 2008 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 875,000 shares (0.73% of the share capital as at 30 June 2018) with a subscription price of Euro 2.1045, to be exercised between 30 September 2008 and 30 September 2018;
• 2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (1.94% of the share capital as of 30 June 2018) with a subscription price of Euro 1.0371, to be exercised between 30 September 2009 and 30 September 2019;

• 2010 stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.03% of the share capital as of 30 June 2018) with a subscription price of Euro 2.3012, to be exercised between 30 September 2010 and 30 September 2020.

Please note that the second portion of the 2009 extraordinary stock option plan restricted to employees of the Company and its subsidiaries expired on 3 April 2018 as per relevant regulation.

The following table shows the total number of existing options with reference to the 2008-2010 plans and their average exercise price:

	June 30, 2018		*December 31, 2017*	
	Number	*Averag e price of the*	*Number*	*Averag e price of the*
Not exercised/not exercisable at the start of the year	285,000	1.91	2,254,737	2.77
Granted during the period	-	-	-	-
Cancelled during the period	(40,000)	1.67	(1,338,200)	3.29
Exercised during the period	(130,000)	1.95	(631,537)	2.06
Expired during the period	-	-	-	-
Not exercised/not exercisable at the end of the period	115,000	1.96	285,000	1.91
Exercisable at the end of the period	115,000	1.96	285,000	1.91

The line “Not exercised/not exercisable at the end of the period” refers to the total number of options, net of those exercised or cancelled during the current and previous years.
The line “Exercisable at the end of the period” refers to the total amount of options matured at the end of the period and not yet subscribed.
With reference to the options exercised during 2018, the average weighted price of the Sogefi share at the exercise dates is Euro 3.6626.

Details of the number of options exercisable at 30 June 2018 are given below:

	Total
Number of exercisable options remaining at December 31, 2017	285,000
Options matured during the period	-
Options cancelled during the period	(40,000)
Options exercised during the period	(130,000)
Number of exercisable options remaining at June 30, 2018	115,000

30. RESTRUCTURING COSTS

The "Restructuring costs" amount to Euro 2,697 thousand (Euro 5,962 thousand in the first half year of the previous year).
This item is comprised of costs incurred and paid during the half-year in the amount of Euro 1,604 thousand, and of allocations to “Provision for restructuring” net of the provisions not used during the period in the amount of Euro 1,093 thousand.

31. LOSSES (GAINS) ON DISPOSAL

Net gains on disposal amounted to Euro 58 thousand compared to Euro 168 thousand in the first six months of the previous year.

32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of 30 June 2018 amount to Euro 2,908 thousand (Euro 646 thousand net exchange gains as of the first half year 2017) and mainly refer to the South American subsidiaries and the Mexican subsidiary.

33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 5,729 thousand (Euro 10,793 thousand in the first six months of the previous year).
The following table shows the main elements:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Write-downs of tangible and intangible fixed assets	3,550	8,491
Product warranty costs	1,049	984
Imputed cost of stock options and stock grant	358	265
Litigations	756	542
Actuarial losses (gains)	48	44
Other ordinary expenses (revenue)	(32)	467
TOTAL OTHER NON-OPERATING EXPENSES (INCOME)	5,729	10,793

The item "Writedowns of tangible and intangible fixed assets", amounting to Euro 3,550 thousand, includes Euro 1.999 thousand for writedowns of tangible fixed assets mainly for European subsidiaries, Euro 1,551 thousand for writedowns of intangible fixed assets mainly related to research and development projects capitalised in previous years for which the capitalisation requirements no longer exist.

The item “Product warranty costs” refers for the most part to subsidiaries Sogefi Air & Cooling S.A.S. and Sogefi U.S.A. Inc.

34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Interest on bonds	6,004	6,532
Interest on amounts due to banks	1,706	2,235
Financial charges under lease contracts	182	236
Financial component of pension funds and termination indemnities	509	552
Loss on interest-bearing hedging instruments	2,160	2,564
Fair value put option adjustment	1,426	-
Other interest and commissions	2,470	2,867
TOTAL FINANCIAL EXPENSES	14,457	14,986

Financial income is detailed as follows:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Financial income from *Cross currency swap* in cash flow hedge	-	577
Financial income from *Cross currency swap* not in cash flow hedge	303	-
Net financial income from derivatives no more in hedge accounting	474	1,145
Interest on amounts due from banks	144	146
Other interest and commissions	28	312
TOTAL FINANCIAL INCOME	949	2,180
TOTAL FINANCIAL EXPENSES (INCOME), NET	13,508	12,806

Net financial expenses show an increase of Euro 702 thousand, mainly due to the item "Adjustment of fair value of put options" (this item reflects the change in the fair value of the liability generated when the non-controlling shareholders of subsidiary Sogefi M.N.R. Engine Systems India Pvt Ltd exercised their put option on 30% of its share capital) and lower income from the change in fair value of derivative contracts no longer designated in hedge accounting. Interest on bonds and on amounts due to banks decreased.

The item "Costs of interest-rate hedges" includes the differential between fixed rate and floating rate in the first half of 2018 in respect of all interest rate swap contracts in force in the period.

It should be noted that as at 30 June 2018, the impact of the change in fair value of IRS and Cross currency swap contracts no longer designated in hedge accounting is positive by an amount of Euro 474 thousand (positive by Euro 1,145 thousand as at 30 June 2017), and is comprised of:

- a financial expense of Euro 1,419 thousand reflecting the portion of the reserve previously booked to Other Comprehensive Income that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item;

- a net financial income of Euro 1,893 thousand reflecting the change in their fair value compared to 31 December 2017.

35. LOSSES (GAINS) FROM EQUITY INVESTMENTS

As at 30 June 2018, this item amounts to zero.

36. INCOME TAXES

The detail is given below:

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Current taxes	6,198	7,477
Deferred tax liabilities (assets)	4,674	6,602
Expenses (income) from Group tax filing system	959	831
TOTAL	11,831	14,910

The avarage tax rate at 30 June 2018 is 38.2% (40.9% as at 30 June 2017). It should be remembered that the tax rate of the previous financial year was penalised by the reversal of deferred tax assets for tax losses incurred in previous years as they were no longer considered recoverable (Euro 1,122 thousand).

37. DIVIDENDS PAID

No dividends were paid to the Holding Company shareholders during the first half year 2018.

38. EARNINGS PER SHARE (EPS)

Basic EPS

	June 30, 2018	*June 30, 2017*
Net result attributable to the ordinary shareholders (in thousands of Euro)	17,045	19,352
Weighted average number of shares outstanding during the period (thousands)	117,421	116,550
Basic EPS (Euro)	*0.145*	*0.166*

Diluted EPS

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the *stock options* granted to Group employees.

	June 30, 2018	*June 30, 2017*
Net result attributable to the ordinary shareholders (in thousands of Euro)	17,045	19,352
Average number of shares outstanding during the period (thousands)	117,421	116,550
Weighted average number of shares potentially under option during the period (thousands)	142	1,754
Number of shares that could have been issued at fair value (thousands)	(81)	(1,045)
Adjusted weighted average number of shares outstanding during the period (thousands)	117,482	117,259
Diluted EPS (Euro)	*0.145*	*0.165*

The "Weighted average number of shares potentially under option during the period" represents the average number of shares that are potentially outstanding under stock option plans (only for potentially dilutive options, i.e. with an exercise price lower than the average fair value of the ordinary shares of Sogefi S.p.A. in the first half of the year), for which the subscription right has vested but has not yet been exercised at the end of the reporting period. These shares have a potentially dilutive effect on Basic EPS and are therefore taken into consideration in the calculation of Diluted EPS.

The "Number of shares that could have been issued at fair value" represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the stock options by the average half-year fair value of the Sogefi S.p.A. ordinary shares, which in the first half of 2018 amounted to Euro 3.3735, compared to Euro 3.6327 in the first half of 2017.

E) 39. RELATED PARTY TRANSACTIONS

See IAS 24 and the related communications from Consob for the definition of related party transactions.

The Group is controlled by the Holding Company CIR S.p.A. (which in turn is controlled by the ultimate Holding Company F.lli De Benedetti S.p.A.), which as of 30 June 2018 held 55.33% of the total shares (56.56% of outstanding shares, excluding treasury shares). Sogefi S.p.A.'s shares are listed on the STAR segment of Mercato Telematico Azionario managed by Borsa Italiana S.p.A.

The Group's consolidated financial statements include the financial statements of the consolidated companies, listed in chapter H along with the stake held in the same by the Group.

Dealings between Group companies are conducted at arm's length, taking into account the quality and type of services rendered.

The Holding Company Sogefi S.p.A., because of its role of Holding company, provides administrative, financial and management services directly to the three French sub-holding operative companies (Sogefi Filtration S.A., Sogefi Suspensions S.A. and Sogefi Air & Cooling S.A.S.) which, in turn, beside dealing with the services provided by the Holding Company to the companies operating in the relevant business units, provide directly to the latter support services as well as operating and business services. The Holding Company also debits and credits interest at a market spread to those subsidiaries that have joined the Group's cash pooling system. The Holding Company is also charging royalties fees on the Group "SAP" information system to those subsidiaries at which implementation has been completed.

The subsidiary Sogefi Gestion S.A.S. carries out centralised functions and charges Group companies for administrative, financial, legal, industrial and IT services as well as royalties for the use of Group-wide IT applications.

As part of its activity, the Holding Company Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Holding Company, in areas such as strategic development and of an administrative, financial, fiscal and corporate nature. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to the Sogefi Group in terms of the resources devoted to them and the specific economic advantages obtained as a result. It should be noted that Sogefi's interest in the provision of services by the Holding company is considered to be preferable to services provided by third parties because of, among other things, its extensive knowledge acquired over time in its specific business and market environment.

Services provided to Sogefi S.p.A. by the Holding Company CIR S.p.A. as at 30 June 2018 amount to Euro 320 thousand (Euro 250 thousand in the first half of 2017). At 30 June 2018, amounts payable to the Holding Company CIR S.p.A. by the Holding Company Sogefi S.p.A. totalled Euro 320 thousand.

The Holding Company Sogefi S.p.A. is party to an existing rental contract with the Holding company CIR S.p.A., effective from 1 July 2018, concerning the offices located in Milan, via Ciovassino 1/A where Sogefi has its registered offices, that will also correspond to the registered office.

The Italian companies of the Sogefi Group had receivables for the amount of Euro 3,267 thousand owed by CIR S.p.A. in connection with their participation in the group tax filing system, and payables for the amount of Euro 959 thousand. Outstanding receivables as at 31 December 2017 were collected for a total of Euro 6,121 thousand in the first half of 2018.

At the end of the first half of 2018, the Italian subsidiaries recorded an income of Euro 259 thousand following the transfer of fiscal surplus to companies that have joined the CIR Group tax filing system in order to have an interest deduction; the amount receivable as at 30 June 2018 of the Italian subsidiaries from the Holding Company CIR S.p.A. is equal to Euro 259 thousand.
At 30 June 2018, the Holding Company Sogefi S.p.A. records a liability amounting to Euro 959 thousand (Euro 831 thousand in the previous year) reflecting the consideration due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system. The amount payable by Holding Company Sogefi S.p.A. to Holding Company CIR S.p.A. for such consideration as at 30 June 2018 is Euro 959 thousand.

As regards economic transactions with the Board of Directors, Statutory Auditors, the Chief Executive Officer and the Managers with strategic responsibility, please refer to the attached table for remuneration paid in the first half of 2018.

Apart from those mentioned above and shown in the tables below, at the date of these interim financial statements, we are not aware of any other related party transactions.

The following tables summarise related party transactions:

(in thousands of Euro)	*June 30, 2018*	*December 31, 2017*
Receivables		
- for the Group tax filing to CIR S.p.A.	3,267	5,976
- for income following the transfer of fiscal surplus to the CIR Group	259	508
Payables		
- for services received from CIR S.p.A.	320	-
- for expense due to fiscal surplus received from the CIR Group	959	1,943
- for Director's remuneration	-	114
- for the Group tax filing to CIR S.p.A.	501	2,553

(in thousands of Euro)	*1st half 2018*	*1st half 2017*
Costs		
- for services received from CIR S.p.A.	320	250
- for rental contract from CIR S.p.A.	60	58
- for expense due to fiscal surplus received from the CIR Group	959	831
Revenues		
- for income following the transfer of fiscal surplus to the CIR Group	259	286
Compensation of directors and statutory auditors		
- directors (*)	381	402
- statutory auditors	83	76
Compensation and related contributions to the General Manager (**)	405	422
Compensation and related contributions to Manager with strategic responsibilities ex Consob resolution no. 17221/2010 (***)	219	214

(*) including also compensation of the director of the Holding Company for Euro 42 thousand transferred to the Parent Company CIR S.p.A..

(**) including also the imputed cost of stock grant plans for Euro 95 thousand (Euro 64 thousand in the first half 2017) booked under the item "Other non-operating expenses (income)".

(***) including also the imputed cost of stock grant plans for Euro 29 thousand (imputed cost of Euro 19 thousand in first half 2017) booked under the item "Other non-operating expenses (income)".

F) COMMITMENTS AND RISKS

40. OPERATING LEASES

For accounting purposes, *leases* and rental contracts are classified as operating when:

- a significant part of the risks and benefits associated with ownership are retained by the lessor;
- there are no purchase options at prices that do not represent the presumable market value of the asset being leased at the end of the period;
- the lease term is not for the major part of the useful life of the asset leased or rented;
- at the inception of the lease, the present value of the minimum lease payments is not equal to the fair value of the asset being leased.

Operating lease instalment payments are booked to the Income Statement in line with the underlying contracts.

The main operating leases existing as of 30 June 2018 regard the following companies:

- Sogefi Filtration do Brasil Ltda for the rental of three production plant in Jarinu, under a contract that will expire in August 2034.
  As at 30 June 2018, remaining payments amount to Euro 21,379 thousand, Euro 1,379 thousand of which due by the end of the year. For this contract, the company signed a bank guarantee of Euro 1,668 thousand.

- Sogefi (Suzhou) Auto Parts Co., Ltd. for the rental of the production plant in Wujiang, under a contract that will expire in September 2033.
  As at 30 June 2018, total remaining payments amount to Euro 12,599 thousand, Euro 707 thousand of which due by the end of the year. The Group has not given any guarantees whatsoever for this contract;

- Sogefi Filtration S.A. for the rental of the offices in Guyancourt. The two contracts will expire in March 2020 and May 2027, respectively. As at 30 June 2017, the remaining payments amount to Euro 4,591 thousand, Euro 515 thousand of which due by the end of the year.
  The Group has not given any guarantees for this contract;

- Sogefi Air & Cooling Canada Corp. for the rental of the production plant in Montreal. The contract expires in December 2021. As at 30 June 2018, the remaining payments amount to Euro 2,869 thousand, Euro 1,051 thousand of which due by the end of the year.
  For this contract Sogefi S.p.A. provided a guarantee equal to approximately 100% of the residual instalments still to fall due;

- Sogefi Engine Systems Mexico S. de R.L. de C.V. for the rental of the production plant in Monterrey. The contract expires in June 2031. As at 30 June 2018, the remaining payments amount to Euro 20,260 thousand, Euro 1,401 thousand of which due by the end of the year.
  For this contract Sogefi S.p.A. provided a guarantee equal to approximately 100% of the residual instalments still to fall due.

41. INVESTMENT COMMITMENTS

At 30 June 2018, Group companies have binding commitments for investments relating to the purchase of property, plant and equipment for Euro 2,056 thousand (Euro 785 thousand at 31 December 2017), as already disclosed in the explanatory notes regarding tangible fixed assets.

42. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of Euro)	June 30, 2018	December 31, 2017
PERSONAL GUARANTEES GIVEN		
a) Sureties to third parties	4,904	7,210
b) Other personal guarantees in favour of third parties	2,541	2,541
TOTAL PERSONAL GUARANTEES GIVEN	7,445	9,751
REAL GUARANTEES GIVEN		
a) against liabilities shown in the financial statement	1,598	2,130
TOTAL REAL GUARANTEES GIVEN	1,598	2,130

The guarantees given in favour of third parties relate to guarantees given to certain customers, to suppliers for operating lease contracts and VAT tax authorities and for other indirect taxes; guarantees are shown at a value equal to the outstanding commitment at the reporting period. These items indicate risks, commitments and guarantees provided by Group companies to third parties.

The "Other personal guarantees in favour of third parties" relate to the commitment of the subsidiary Sogefi HD Suspensions Germany GmbH to the employee pension fund for the two business lines at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller, who is a leading German operator.

“Real guarantees given” refer to subsidiaries Sogefi Air & Cooling Canada Corp. and Allevard IAI Suspensions Private Ltd, which pledged tangible fixed assets and trade receivables as real guarantees to secure loans obtained from financial institutions.

43. OTHER RISKS

As at 30 June 2018, the Group had third-party goods and materials held at Group companies worth Euro 14,975 thousand (Euro 14,884 thousand as at 31 December 2017).

44. CONTINGENT ASSETS AND LIABILITIES

Sogefi Group is managing environmental issues in some production plants. No relevant costs are expected.

In October 2016, the Holding Company Sogefi S.p.A. received four notices of assessment relating to fiscal periods 2011 and 2012, as a result of a tax audit carried out during the first half year 2016, with two irregularities: i) undue detraction of Euro 0.6 million of VAT paid on purchases of goods and services, ii) non-deductibility from IRES tax (and relating non-deductibility for VAT of Euro 0.2 million) of the expense for services performed by Holding company CIR S.p.A. (same irregularity found in the notices relating to the year 2009) for a total taxable amount of Euro 1.3 million.
The notifications have already been appealed before the Provincial Tax Commission, which issued a ruling favourable to the Holding Company Sogefi S.p.A..

The judgement was partially appealed by the Provincial Directorate of Mantua, which requested confirmation of the notices of assessment served for VAT purposes only.
Based on the tax advisor's opinion, with regard to all notices of assessment, Directors believe said arguments to be groundless and inconsistent with the applicable tax regulation in force and, for the moment, the risk of losing to be possible but not likely.
This is why the Company did not set aside any amount for tax risks in financial statements as at 30 June 2018.

45. SUBSEQUENT EVENTS

No significant events occurred after 30 June 2018.

G) 46. FINANCIAL INSTRUMENTS

A) Exchange risk – not designated in hedge accounting

As at 30 June 2018 the following forward purchase/sale contracts were maintained to hedge the exchange risk on intercompany financial positions and on commercial positions:

Company	Forward purchase / Forward sale		Date opened	Currency exchange	Spot price	Date closed	Forward price	Fair value* at 06.30.2018
Sogefi S.p.A	A	GBP 8,000,000	04/23/2018	€/currency	0.86965	07/23/2018	0.87210	(154)
Sogefi S.p.A	V	USD 15,000,000	05/29/2018	€/currency	1.17000	07/30/2018	1.17620	(83)
Sogefi Filtration S.A.	A	USD 400,000	06/12/2018	€/currency	1.78200	07/12/2018	1.18082	4
Sogefi Filtration S.A.	A	USD 400,000	06/12/2018	€/currency	1.78200	08/22/2018	1.18444	4
Sogefi Air&Cooling Canada Corp.	A	USD 1,000,000	06/15/2018	CAD/currency	1.32050	07/16/2018	1.32020	3
Sogefi Air&Cooling Canada Corp.	A	USD 1,000,000	06/19/2018	CAD/currency	1.32950	07/16/2018	1.32930	(3)
Sogefi Engine systems Mexico S. de R.L. de	A	USD 15,000,000	04/10/2018	MXN/currency	18.33000	07/10/2018	18.60000	693
Sogefi Suspension Brasil Ltda	A	EUR 120,000	05/17/2018	USD/currency	4.37120	07/19/2018	4.42000	3
Sogefi Suspension Brasil Ltda	A	EUR 200,000	06/12/2018	USD/currency	4.38960	07/19/2018	4.42150	5
Sogefi Suspension Brasil Ltda	A	EUR 200,000	06/12/2018	USD/currency	4.39200	08/20/2018	4.44800	5
Sogefi Suspension Brasil Ltda	V	USD 250,000	05/17/2018	BRL/currency	3.70000	07/19/2018	3.71930	(9)
Sogefi Suspension Brasil Ltda	V	USD 300,000	05/17/2018	BRL/currency	3.70000	07/12/2018	3.71780	(11)
Sogefi Suspensions Argentina	A	USD 1,200,000	06/28/2018	ARP/currency	27.78000	07/31/2018	28.72000	7
Sogefi Suspensions Argentina	A	USD 1,200,000	06/28/2018	ARP/currency	27.75000	08/31/2018	29.44000	8
Sogefi Suspensions Argentina	A	USD 1,200,000	06/28/2018	ARP/currency	27.78000	09/28/2018	30.20000	9
Air Intake India Pvt.Ltd	A	EUR 1,200,000	05/29/2018	INR/currency	78.75000	08/31/2018	80.32000	8
Allevard IAI Suspensions Private Ltd	A	EUR 350,000	06/29/2018	INR/currency	79.57000	10/29/2018	82.64000	-
Sogefi Filtration do Brasil Ltda	A	USD 58,312	04/20/2018	BRL/currency	3.40000	04/15/2019	3.70000	5
Sogefi Filtration do Brasil Ltda	A	USD 720,489	05/29/2018	BRL/currency	3.70920	11/29/2018	3.69044	24

* Positive fair value was recognised in "Other financial assets - Asset for derivative financial instruments", whreas negative fair value was recognised in "Other short-term liabilities" for derivative financial instruments", exept for Sogefi Filtration do Brasil Ltda that recognised positive fair value in "Other short-term liabilities"

B) Interest rate risk – in hedge accounting

As at 31 December 2017 the Holding company Sogefi S.p.A. had three existing Interest Rate Swap contracts, entered into in 2013, for an overall notional amount of Euro 25 million that expired in June 2018.

C) Interest rate risk – no longer in hedge accounting

As at 31 December 2017, the Holding company Sogefi S.p.A. held Interest Rate Swap contracts, expired in June 2018, for an overall notional amount of Euro 165 million, which, based on effectiveness tests carried out in the previous years, proved ineffective so the hedging relationship was interrupted, with a resulting reclassification of the derivative contracts to speculative instruments.
The discontinuation of hedge accounting had the following impact on the financial statements as at 30 June 2018:

- a financial income of Euro 2,336 thousand reflecting the change in fair value compared to 31 December 2017 was immediately recognised in the income statement;
- a financial expense of Euro 1,055 thousand was recognised in the income statement; this amount reflects the portion of the reserve previously booked to “Other Comprehensive Income” that is recognised in the income statement over the same period of time as the differentials relating to the former underlying hedged item.

D) Exchange risk (Cross currency swap) no longer in hedge accounting

During 2013 the Holding Company Sogefi S.p.A. entered into three cross currency swap (Ccs) contracts maturing in June 2023, initially designated in hedge accounting, in order to hedge interest and exchange rate risks relating to the private placement currently of USD 82.1 million bonds. Under these contracts, a fixed interest receivable of 600 basis points on subscribed notional USD amount is collected by the Company on a quarterly basis against payment of a fixed interest payable on a notional amount in EUR corresponding to the USD notional amount converted at the fixed exchange rate of 1.3055 (totalling Euro 62,921 thousand).
Based on the tests carried out on 31 December 2017, they have become ineffective so that the hedging relationship was discontinued and the derivative contracts were reclassified as fair value through profit or loss instruments. The change in fair value (exclusively for the interest rate risk) compared to 31 December 2017 was recognised in the income statement, whereas the reserve booked to "Other Comprehensive Income" (if any) is reclassified in the income statement over the same period of time as the differentials relating to the underlying hedged item.
Details of these contracts are as follows:

Description of CCSwap	Date opened	Contract maturity	Notional (in thousands of Usd)	Fixed rate	Fair value at 06.30.2018	Fair value at 12.31.2017
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	39,286	6.0% USD receivable 5.6775% Euro payables	1,298	1,103
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	28,571	6.0% USD receivable 5.74% Euro payables	892	752
Private placement USD 115 million (05/03/2013 maturity 06/01/2023), coupon 600 bps	04/30/2013	06/01/2023	14,286	6.0% USD receivable 5.78% Euro payables	436	360
TOTAL			82,143		2,626	2,215

The discontinuation of hedge accounting, for the interest rate risk, had the following impact on the financial statements as at 30 June 2018:
- a financial expense of Euro 443 thousand reflecting the change in fair value compared to 31 December 2017 was immediately recognised in the income statement;
- a financial expense of Euro 364 thousand was recognised in the income statement; this amount reflects the portion of the reserve previously booked to “Other Comprehensive Income” that is recognised in the income statement over the same period of time as the differentials relating to the former underlying hedged item.

As at 30 June 2018, an amount of Euro 3,583 thousand remains to be recycled to the income statement in the future years.

E) Fair value of derivatives in hedge accounting and no longer in hedge accounting

The fair value of all derivatives was calculated using the forward curves of exchange and interest rates as at 30 June 2018, also taking into account a credit valuation adjustment / debit valuation adjustment. The fair value amounts of derivatives are classified as Level 2 in fair value hierarchy, based on the significance of the inputs used in fair value measurements.

H) GROUP COMPANIES

47. LIST OF GROUP COMPANIES AS OF 30 JUNE 2018

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SOGEFI FILTRATION S.A. Guyancourt (Francia)	Euro	120,596,780	6,029,838	99.99998	20	120,596,760
SOGEFI SUSPENSIONS S.A. Guyancourt (Francia)	Euro	73,868,383	4,345,198	99.999	17	73,868,366
SOGEFI U.S.A., Inc. Prichard (U.S.A.)	USD	20,055,000	191	100		20,055,000
SOGEFI GESTION S.A.S. Guyancourt (Francia)	Euro	100,000	10,000	100	10	100,000
SHANGHAI SOGEFI AUTO PARTS Co., Ltd Shanghai (Cina)	USD	13,000,000	(1)	100	(2)	13,000,000
SOGEFI AIR & COOLING S.A.S. Guyancourt (Francia)	Euro	54,938,125	36,025	100	1,525	54,938,125
SOGEFI (SUZHOU) AUTO PARTS CO., Ltd Wujiang (Cina)	USD	37,400,000	(1)	100	(2)	37,400,000

(1) The share capital is not divided in shares or quotas.
(2) There is no unit nominal value.

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
FILTRATION BUSINESS UNIT						
SOGEFI FILTRATION Ltd Tredegar (Gran Bretagna) held by Sogefi Filtration S.A.	GBP	5,126,737	5,126,737	100	1	5,126,737
SOGEFI FILTRATION SPAIN S.A.U. Cerdanyola (Spagna) held by Sogefi Filtration S.A.	Euro	14,249,084.96	2,370,896	100	6.01	14,249,085
SOGEFI FILTRATION d.o.o. Medvode (Slovenia) held by Sogefi Filtration S.A.	Euro	10,291,798	1	100	10,291,798	10,291,798
FILTER SYSTEMS MAROC S.a.r.l. Tanger (Marocco) held by Sogefi Filtration S.A.	MAD	95,000,000	95,000	100	1,000	95,000,000
SOGEFI FILTRATION RUSSIA LLC* Russia held by Sogefi Filtration S.A.	RUB	6,800,000	1	100	6,800,000	6,800,000
SOGEFI-MNR ENGINE SYSTEMS INDIA Pvt Ltd Bangalore (India) 45% held by Sogefi Filtration S.A. 24,98% held by Sogefi Air & Cooling S.A.S. 0,02% held by Systemes Moteurs China, S.à.r.l.	INR	21,254,640	1,487,825	70	10	14,878,250
SOGEFI FILTRATION DO BRASIL Ltda São Bernardo do Campo (Brasile) 86,1084% held by Sogefi Filtration S.A. 13,8915% held by Sogefi Filtration Spain S.A.U. 0,0000010% held by Sogefi Suspension Brasil Ltda	BRL	103,713,074	103,713,074	100	1	103,713,074
SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) 99,42425% held by Sogefi Filtration S.A. 0,5757% held by Sogefi Filtration Italy S.p.A.	ARP	57,235,407	57,235,405	99.999	1	57,235,405
SOGEFI FILTRATION ITALY S.p.A. Sant'Antonino di Susa (Italia) held by Sogefi Filtration S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043

* The company was built on 22 December 2017

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
AIR&COOLING BUSINESS UNIT						
SOGEFI AIR & COOLING CANADA CORP.	CAD	9,393,000	2,283	100	(2)	9,393,000
Nova Scotia (Canada)						
held by Sogefi Air & Cooling S.A.S.						
SOGEFI AIR & COOLING USA, Inc.	USD	100	1,000	100	0.10	100
Wilmington (U.S.A.)						
held by Sogefi Air & Cooling S.A.S.						
SYSTEMES MOTEURS CHINA, S.à.r.l.	Euro	12,500	125	100	100	12,500
Lussemburgo (Lussemburgo)						
held by Sogefi Air & Cooling S.A.S.						
S.C. SOGEFI AIR & COOLING S.r.l.	RON	7,087,610	708,761	100	10	7,087,610
Titesti (Romania)						
99,9997% held by Sogefi Air & Cooling S.A.S.						
0,0003% held by Sogefi Filtration Spain S.A.U.						
SOGEFI ENGINE SYSTEMS MEXICO S. de R.L. de C.V.	MXN	20,003,000		100		20,003,000
Apodaca (Messico)						
			1		1	
0,000005% held by Sogefi Air & Cooling S.A.S.						
99,999995% held by Sogefi Air & Cooling Canada			1		20,000,000	
Corp.			1		2,999	
SOGEFI ENGINE SYSTEMS HONG KONG Ltd	HKD	1,000	1,000	100	1	1,000
Hong Kong (Hong Kong)						
held by Systemes Moteurs China, S.à.r.l.						

(2) There is no unit nominal value.

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
SUSPENSIONS BUSINESS UNIT						
ALLEVARD SPRINGS Ltd Clydach (Gran Bretagna) held by Sogefi Suspensions S.A.	GBP	4,000,002	4,000,002	100	1	4,000,002
SOGEFI PC SUSPENSIONS GERMANY GmbH Volklingen (Germania) held by Sogefi Suspensions S.A.	Euro	50,000	1	100	50,000	50,000
SOGEFI SUSPENSION ARGENTINA S.A. Buenos Aires (Argentina) held by Sogefi Suspensions S.A. al 90,19% held by Sogefi Suspension Brasil Ltda al 9,80%	ARP	48,858,410	48,853,430	99.99	1	48,853,430
IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spagna) held by Sogefi Suspensions S.A.	Euro	10,529,668	5,264,834	50	1	5,264,834
SOGEFI SUSPENSION BRASIL Ltda São Paulo (Brasile) held by Sogefi Suspensions S.A. al 99,997% held by Allevard Springs Ltd allo 0,003%	BRL	37,161,683	37,161,683	100	1	37,161,683
UNITED SPRINGS Limited Rochdale (Gran Bretagna) held by Sogefi Suspensions S.A.	GBP	4,500,000	4,500,000	100	1	4,500,000
UNITED SPRINGS B.V. Hengelo (Olanda) held by Sogefi Suspensions S.A.	Euro	254,979	254,979	100	1	254,979
SHANGHAI ALLEVARD SPRINGS Co., Ltd Shanghai (Cina) held by Sogefi Suspensions S.A.	Euro	5,335,308	1	60.58	(2)	3,231,919
UNITED SPRINGS S.A.S. Guyancourt (Francia) held by Sogefi Suspensions S.A.	Euro	5,109,000	2,043,600	100	2.5	5,109,000
S.ARA COMPOSITE S.A.S. Guyancourt (Francia) held by Sogefi Suspensions S.A.	Euro	13,000,000	25,000,000	96.15	0.5	12,500,000
ALLEVARD IAI SUSPENSIONS Pvt Ltd Pune (India) held by Sogefi Suspensions S.A.	INR	432,000,000	32,066,926	74.23	10	320,669,260
SOGEFI HD SUSPENSIONS GERMANY GmbH Hagen (Germania) held by Sogefi PC Suspensions Germany GmbH	Euro	50,000	(1)	100	50,000	50,000
SOGEFI SUSPENSIONS HEAVY DUTY ITALY S.P.A.* Puegnago sul Garda (Italia) held by Sogefi Suspensions S.A.	Euro	6,000,000	5,992,531	99.88	1	5,992,531
SOGEFI SUSPENSIONS PASSENGER CAR ITALY S.P.A.** Settimo Torinese (Italia) held by Sogefi Suspensions S.A.	Euro	8,000,000	7,990,043	99.88	1	7,990,043

* The company changed name from Sogefi Suspension Heavy Duty Italy S.r.l. to Sogefi Suspension Heavy Duty Italy S.p.A. on 1 July 2018

** The company changed name from Sogefi Suspension Passenger Car Italy S.r.l. to Sogefi Suspension Passenger Car Italy S.p.A. on 1 July 2018

(1) The share capital is not divided in shares or quotas.

(2) There is no unit nominal value.

EQUITY INVESTMENTS IN SUBSIDIARIES CONSOLIDATED USING THE EQUITY METHOD

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
MARK IV ASSET (Shanghai) AUTO PARTS Co., Ltd Shanghai (Cina) Held by Sogefi Engine Systems Hong Kong Limited	CNY	5,000,000	(1)	50	(2)	2,500,000

EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST

Indirect equity investments	Currency	Share capital	Number of shares	% held	Par value per share	Par value of the interest held
AFICO FILTERS S.A.E. Il Cairo (Egitto) Held by Sogefi Filtration Italy S.p.A.	EGP	14,000,000	24,880	17.77	100	2,488,000

(1) The share capital is not divided in shares or quotas.
(2) There is no unit nominal value.

DECLARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ART. 81-*TER* OF CONSOB RESOLUTION No. 11971 OF MAY 14, 1999 AND SUBSEQUENT MODIFICATIONS AND INTEGRATIONS

1. The undersigned:

   Laurent Hebenstreit –Managing Director and General Manager of Sogefi S.p.A.
   Yann Albrand – Manager responsible for preparing Sogefi S.p.A.'s financial reports

   hereby certify, having also taken into consideration the provisions of Article 154-*bis*, paragraph 3 and 4, of Italian Legislative Decree n. 58 of February 24, 1998, that:

   the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements for the 2018 first half:
   - are adequate with respect to the company structure and
   - have been effectively applied.

2. No relevant aspects are to be reported on this subject.

3. It is also certified that:

3.1 the condensed interim consolidated financial statements as at June 30, 2018:
   - have been prepared in accordance with international accounting standards as endorsed by the European Union through Regulation (EC) 1606/2002 of the European Parliament and of the Council of July 19, 2002;
   - correspond to the books and accounting records;
   - provide a true and fair representation of the financial position, result of operations and cash flow of the issuer and the subsidiaries included in the scope of consolidation.

3.2 the interim report on operations of the Group includes a reliable analysis of the significant events that occurred in the first half of the year and their impact on the half-year condensed interim consolidated financial statements. In addition, the report includes a description of the main risks and uncertainties for the remaining six months of the year and a reliable analysis of the information about any significant related party transactions.

Milan, July 24, 2018

Managing Director and General Manager	Manager responsible for preparing financial reports
Laurent Hebenstreit	Yann Albrand

INTERIM FINANCIAL STATEMENTS OF THE HOLDING COMPANY SOGEFI S.p.A.

STATEMENT OF FINANCIAL POSITION
(in thousands of Euro)

ASSETS	*June 30, 2018*	*December 31, 2017*
CURRENT ASSETS		
Cash and cash equivalents	43,430	36,329
Cash pooling current accounts with subsidiaries	33,417	60,678
Other financial assets	63	464
Loans and financial receivables similar to loans with subsidiaries	18,482	65
of which dividends from subsidiaries not yet collected	*18,033*	-
WORKING CAPITAL		
Inventories	-	-
Trade receivables	5,531	12,909
of which from subsidiaries	*2,918*	*7,586*
of which from parent company	*2,613*	*5,323*
Other receivables	50	18
Tax receivables	968	852
Other assets	595	304
TOTAL WORKING CAPITAL	7,144	14,083
TOTAL CURRENT ASSETS	102,536	111,620
NON-CURRENT ASSETS		
FIXED ASSETS		
Investment properties: land	13,083	13,083
Investment properties: other	7,041	7,041
Other tangible fixed assets	158	188
of which leases	-	-
Intangible assets	25,574	26,834
TOTAL FIXED ASSETS	45,856	47,146
OTHER NON-CURRENT ASSETS		
Equity investments in subsidiaries	415,993	415,786
Equity investments in associates	-	-
Other financial assets	-	-
Loans and financial receivables similar to loans	78,492	34,722
of which from subsidiaries	*75,866*	*32,507*
of which other medium/long term assets for derivatives financial instruments	*2,626*	*2,215*
Other receivables	49	49
Deferred tax assets	2,495	3,091
TOTAL OTHER NON CURRENT ASSETS	497,029	453,648
TOTAL NON CURRENT ASSETS	542,885	500,794
TOTAL ASSETS	645,421	612,414

LIABILITIES	*June 30, 2018*	*December 31, 2017*
CURRENT LIABILITIES		
Bank Overdraft and short term loans	-	44
Cash pooling current accounts with subsidiaries	82,107	81,827
Current portion of medium/long term financial debts and other loans	40,253	35,654
of which leases	-	-
of which to subsidiaries	-	-
Capital shares of subsidiaries subscribed and not yet paid	-	-
TOTAL SHORT-TERM FINANCIAL DEBTS	122,360	117,525
Other short-term liabilities for derivative financial instruments	237	2,576
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	122,597	120,101
Trade and other payables	5,602	6,928
of which to subsidiaries	*323*	*827*
of which to parent company	*1,279*	*2,057*
Tax payables	72	116
Other current liabilities	9	9
TOTAL CURRENT LIABILITIES	128,280	127,154
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		
Financial debts to bank	106,337	91,102
Other medium/long term financial debts	168,718	178,898
of which leases	-	-
TOTAL MEDIUM/LONG TERM FINANCIAL DEBTS	275,055	270,000
Other medium/long term financial liabilities for derivative financial instruments	-	-
TOTAL MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	275,055	270,000
OTHER LONG-TERM LIABILITIES		
Long-term provision	1,199	622
Other payables	-	-
Deferred tax liabilities	362	146
TOTAL OTHER LONG-TERM LIABILITIES	1,561	768
TOTAL NON-CURRENT LIABILITIES	276,616	270,768
SHAREHOLDERS' EQUITY		
Share capital	62,461	62,394
Reserves and retained earnings (accumulated losses)	153,902	140,563
Profit (loss) for the period	24,162	11,535
TOTAL SHAREHOLDERS' EQUITY	240,525	214,492
TOTAL LIABILITIES AND EQUITY	645,421	612,414

INCOME STATEMENT
(in thousands of Euro)

		First half 2018	First half 2017
FINANCIAL INCOME AND EXPENSES			
1)	Income from equity investments	33,883	32,407
2)	Other financial income	6,798	16,406
	of which from subsidiaries	*1,212*	*1,767*
	of which exchange gains	*3,993*	*12,916*
3)	Interests expenses and other financial expenses	14,410	24,025
	of which to subsidiaries	*130*	*32*
	of which exchange losses	*4,029*	*13,287*
TOTAL FINANCIAL INCOME AND EXPENSES		26,271	24,788
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
-	Revaluations	-	-
-	Writedowns	-	-
TOTAL VALUE ADJUSTMENTS		-	-
6) OTHER OPERATING INCOME		6,313	7,024
of which from subsidiaries		*6,297*	*7,002*
OTHER OPERATING EXPENSES			
7)	Non-financial services	1,964	2,468
	of which to subsidiaries	*81*	*929*
	of which to parent company	*320*	*310*
8)	Leases and rental	2,773	2,886
	of which to parent company	*60*	*58*
9)	Personnel	1,977	2,178
10)	Depreciation, amortization and writedowns	1,492	1,538
11)	Provisions for risks	-	-
12)	Other provision	-	-
13)	Other operating expenses	531	517
TOTAL OTHER OPERATING EXPENSES		8,737	9,587
NON-OPERATING INCOME AND EXPENSES			
14)	Non operating income	126	80
15)	Non operating expenses	859	1,856
NON-OPERATING PROFIT (LOSS)		(732)	(1,776)
PROFIT (LOSS) BEFORE TAXES		23,115	20,449
16)	Income taxes	(1,047)	(1,021)
NET PROFIT		24,162	21,470

STATEMENT OF OTHER COMPREHENSIVE INCOME

(in thousands of Euro)

	First half 2018	*First half 2017*
Profit (loss) for the period	24,162	21,470
Other comprehensive income (losses):		
Items that will not be reclassified to profit or loss:		
- Actuarial gains (losses) on defined-benefit plans	-	-
- Tax effect on items that will not be reclassified to profit or loss	-	-
Subtotal of items that will not be reclassified to profit or loss	-	-
Items that may be reclassified to profit or loss:		
- Profit (loss) from fair value measurement of cash flow hedge derivatives	1,658	2,446
- Profit (loss) from fair value measurement of financial assets available for sale	-	-
- Tax effect on items that may be reclassified to profit or loss	(398)	(587)
Subtotal of items that may be reclassified to profit or loss:	*1,260*	*1,859*
Other Comprehensive Income net of tax effect	1,260	1,859
Total Comprehensive profit (loss) for the period	25,422	23,329

CASH FLOW STATEMENT

(in thousands of Euro)

	First half 2018	*First half 2017*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	24,162	21,470
Adjustments:		
- non collected dividends	(18,033)	(25,019)
- trade receivables waiver from subsidiaries	-	1,764
- depreciation and amortisation of tangible and intangible fixed assets	1,492	1,538
- reclassification to income statement of cash flow hedge reserve	(1,329)	8,993
- expenses recognized for share-based incentive plans	151	129
- exchange rate differences on private placement	854	(10,138)
- (not paid) interest expenses on bonds	1,944	1,822
- net change in deferred charge provision	720	-
- net change in provision for employment termination indemnities	(143)	(12)
- change in net working capital	5,729	2,787
- change in tax receivables/payables	(160)	(278)
- other medium/long-term assets/liabilities	414	630
CASH FLOWS FROM OPERATING ACTIVITIES	15,801	3,686
INVESTING ACTIVITIES		
Paid share capital increase in subsidiaries	-	(20)
Repayment share capital from subsidiaries	-	421
Net change in intangible and tangible fixed assets	(201)	(948)
Net change in other financial assets	639	(480)
NET CASH FLOW FROM INVESTING ACTIVITIES	438	(1,027)
FINANCING ACTIVITIES		
Paid share capital increase	253	900
New (repayment of) medium/long term loans	19,440	(31,182)
New (repayment of) bonds	(12,584)	(12,587)
Net cash pooling position	27,541	10,622
Loans and other financial receivables from subsidiaries	(43,744)	24,032
NET CASH FLOW FROM FINANCING ACTIVITIES	(9,094)	(8,215)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	7,144	(5,556)
Balance at the beginning of the period	36,285	25,150
(Decrease) increase in cash and cash equivalents	7,144	(5,556)
BALANCE AT THE END OF THE PERIOD	43,430	19,594

NB: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7 (in particular the net balance between “Cash and cash equivalents” and “Bank overdrafts and short-term loans”). For a better understanding of the various operating cash flows and hence the changes in the overall net financial position, reference should be made to the cash flow statement included in the Report of the Board of Directors on Operations.

ADDITIONAL INFORMATION OF CASH FLOW STATEMENT	*First half 2018*	*First half 2017*
Interests collected	926	2,472
Interests paid	(7,680)	(8,667)
Dividends collected	15,851	7,388
Current income tax collections (payments)	5,614	5,520

STATEMENTS OF CHANGE IN EQUITY

(in thousands of Euro)	Share Capital	Reserves and retained earnings (accumulated losses)	Profit for the period	Total Shareholders' equity
Balance at December 31, 2016	*62,065*	*108,131*	*27,721*	*197,917*
Increase in share capital restricted to the employees of Sogefi S.p.A. and its subsidiaries	228	672	-	900
Allocation of 2016 profit:				
- Retained earnings reserve	-	27,721	(27,721)	-
Recognition of share-based incentive plans	-	265	-	265
Comprehensive income for the period:				
- Actuarial gains (losses) on defined-benefit plans	-	-	-	-
- Fair value measurement of cash flow hedging instruments	-	2,446	-	2,446
- Fair value measurement of financial assets available for sale	-	-	-	-
- Tax on items booked directly to equity	-	(587)	-	(587)
- Net result for the period	-	-	21,470	21,470
Total other comprehensive profit for the period	-	*1,859*	*21,470*	*23,329*
Balance at June 30, 2017	*62,293*	*138,648*	*21,470*	*222,411*

(in thousands of Euro)	Share Capital	Reserves and retained earnings (accumulated losses)	Profit for the period	Total Shareholders' equity
Balance at December 31, 2017	*62,394*	*140,563*	*11,535*	*214,492*
Increase in share capital restricted to the employees of Sogefi S.p.A. and its subsidiaries	67	186	-	253
Allocation of 2017 profit:				
- Retained earnings reserve	-	11,535	(11,535)	-
Recognition of share-based incentive plans	-	358	-	358
Comprehensive income for the period:				
- Actuarial gains (losses) on defined-benefit plans	-	-	-	-
- Fair value measurement of cash flow hedging instruments	-	1,658	-	1,658
- Fair value measurement of financial assets available for sale	-	-	-	-
- Tax on items booked directly to equity	-	(398)	-	(398)
- Net result for the period	-	-	24,162	24,162
Total other comprehensive profit for the period	-	*1,260*	*24,162*	*25,422*
Balance at June 30, 2018	*62,461*	*153,902*	*24,162*	*240,525*

KPMG

KPMG S.p.A.
Revisione e organizzazione contabile
Via Vittor Pisani, 25
20124 MILANO MI
Telefono +39 02 6763.1
Email it-fmauditaly@kpmg.it
PEC kpmgspa@pec.kpmg.it

(Translation from the Italian original which remains the definitive version)

Report on review of condensed interim consolidated financial statements

To the Shareholders of
Sogefi S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the Sogefi Group comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and explanatory and supplementary notes thereto, as at and for the six-month period ended 30 June 2018. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusions

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the Sogefi Group as at and for the six-month ended 30 June 2018 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milano, 1 August 2018

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit