

INTERIM FINANCIAL REPORT AS AT MARCH 31, 2016

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO EURO 61,681,388.60
MANTOVA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE DIRECTION AND COORDINATION OF CIR S.p.A.
REGISTERED OFFICE: VIA ULISSE BARBIERI, 2 - 46100 MANTOVA (ITALY) - TEL. 0376.2031
OFFICES: GUYANCOURT (FRANCIA), PARC ARIANE IV - 7 AVENUE DU MAI 1945 – TEL. 0033 01 61374300
OFFICES: 20149 MILANO, VIA FLAVIO GIOIA, 8 - TEL. 02.467501
WEBSITE: WWW.SOGEFIGROUP.COM

BOARD OF DIRECTORS' REPORT ON OPERATIONS AS AT MARCH 31, 2016

In the first quarter of 2016, Sogefi reported growth in **revenues** of 4.7% to € 390.1 million (+10.5% at the same exchange rates).

In Europe revenues in the first quarter of 2016 remained stable compared to the first quarter of the previous year, driven by the positive performance of the Suspensions business unit. In North America revenues increased by 30% and in Asia by 45.5% outperforming the market in both areas. In South America, which in first quarter of 2016 accounted for less than 10% of total revenues, sales in euro declined by 22.6% because of the devaluation of the local currencies (at like-for-like exchange rates growth was 12.3%).

In the first quarter of 2016 revenues of the **Suspensions Business Unit** were € 143.1 million, up 1.4% versus the previous year (+7.6% like-for-like); revenues of the **Filtration Business Unit** were € 131.1 million down by 1% (+5.5% at the same exchange rates), while those of the **Air & Cooling Business Unit** stood at € 116.6 million, +16.5% (+20.5% at the same exchange rates).

EBITDA before non-recurring items came to € 38.5 million and was up by 9% on the same period of 2015; profitability increased slightly (from 9.5% in the first quarter of 2015 to 9.9% in the first quarter of 2016), thanks to the gross margin holding up well and to the lower impact of fixed costs.

Once non-recurring charges are considered (€ 3.8 million versus € 0.4 million in the first quarter of 2015), **EBITDA**, totalling € 34.6 million, was stable on the first quarter of the previous year (€ 34.9 million). The decline in EBITDA reported in South America was offset by the increases in strongly developing countries, specifically in North America, China and India.

The update in the first quarter of the “product guarantee” risks of the Air & Cooling business unit did not lead to any change in the provision.

EBIT amounted to € 16 million after € 16.6 million of D&A (€ 15.8 million in the first quarter of 2015) and € 2 million of asset write downs (not present in the first quarter of 2015).

The **net result** was positive for € 2.9 million, down from € 7.6 million in the first quarter of 2015 as an effect of higher financial expense; financial expense in the first quarter of 2015 had benefited from a positive non-recurring item linked to the fair value measurement of the convertible bond.

Net financial debt stood at € 322.6 million at March 31, 2016, in line with December 31, 2015 and showing a decline of € 5 million on the figure at March 31, 2015 (€ 327.5 million).

Free Cash Flow in the first quarter of 2016 amounted to € -0.2 million, compared to € -28.9 million in the first quarter of 2015. This improvement is attributable for approximately € 10 million to lower disbursements of a non-recurring nature for product guarantees and restructuring and, for the remaining part, was due to more factoring and less capex and to a better performance in operating cash flow.

The Sogefi group had 6,781 employees at March 31, 2016 (6,771 at March 31, 2015).

PERFORMANCE OF THE FILTRATION BUSINESS UNIT

In the first quarter of 2016, the *Filtration Business Unit* recorded revenues of € 131.1 million, (€ 132.5 million in the first quarter of 2015). Excluding South America, revenues grew 4.2% benefiting from the development in North America, China and India.

EBIT was € 5.7 million down from € 7.9 million in the first three months of 2015; such a trend reflects mainly the negative evolution of the Brazilian market characterized by a significant decline of the gross margin linked to raw material price increases, especially those purchased in dollars, which were not compensated by an increase in the selling prices of products.

Business Unit employees at March 31, 2016 were 2,691 (2,781 at March 31, 2015).

PERFORMANCE OF THE SUSPENSIONS BUSINESS UNIT

In the first quarter of 2016, the *Suspensions Business Unit* recorded revenues of € 143.1 million, up 1.4%; excluding South America, revenues grew 6.7% underpinned by the positive performance in Europe (+5.2%) and in China.

EBIT was € 6.6 million, down from € 9.1 million in the first three months of 2015. Considering that € 1.4 million of non-recurring expenses (€ 0.2 million in the first quarter of 2015) and € 2 million of asset write downs (not present in the first quarter of 2015) were recorded in the quarter, EBIT before non-recurring items showed a slight increase compared to the first three months of 2015.

Business Unit employees at March 31, 2016 were 2,684 (2,650 at March 31, 2015).

PERFORMANCE OF THE AIR & COOLING BUSINESS UNIT

In the first quarter of 2016, the *Air & Cooling Business Unit* recorded revenues of € 116.6 million, up 16.5% compared to the same period of the previous year. The increase was mainly driven by North America (+50.6%) and China.

EBIT totaled € 5.6 million compared to € 3.7 million in the first quarter of 2015, mainly reflecting the revenue increase.

Business Unit employees at March 31, 2016 were 1,377 (1,273 at March 31, 2015).

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

During the period, the **Holding Company Sogefi S.p.A.** recorded a net loss of € 4.8 million, compared to the loss of € 3.6 million posted in the first quarter of 2015. The change mainly comes from higher net financial expense as previous year had benefited from positive non-recurring items.

OUTLOOK FOR THE YEAR

Sogefi expects the positive trends in North America, China and India to continue. In Europe after the important business expansion seen in 2015, growth could be more limited, while in South America market conditions will remain difficult.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in millions of Euro)

ASSETS	03.31.2016	12.31.2015
CURRENT ASSETS		
Cash and cash equivalents	122.9	121.9
Other financial assets	5.1	6.3
<i>Working capital</i>		
Inventories	159.0	159.7
Trade receivables	177.4	143.5
Other receivables	7.3	7.9
Tax receivables	24.8	26.8
Other assets	4.9	4.0
TOTAL WORKING CAPITAL	373.4	341.9
TOTAL CURRENT ASSETS	501.4	470.1
NON-CURRENT ASSETS		
Fixed assets		
Land	14.2	14.3
Property, plant and equipment	226.1	232.6
Other tangible fixed assets	5.4	5.3
<i>Of wich: leases</i>	5.2	6.8
Intangible assets	283.2	284.0
TOTAL FIXED ASSETS	528.9	536.2
OTHER NON-CURRENT ASSETS		
Investments in joint ventures	-	-
Other financial assets available for sale	0.4	0.4
Non-current trade receivables	-	-
Financial receivables	8.5	13.2
Other receivables	36.1	34.7
Deferred tax assets	64.3	65.3
TOTAL OTHER NON-CURRENT ASSETS	109.3	113.6
TOTAL NON-CURRENT ASSETS	638.2	649.8
TOTAL ASSETS	1,139.6	1,119.9

LIABILITIES	03.31.2016	12.31.2015
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	25.3	17.8
Current portion of medium/long-term financial debts and other loans	101.0	74.4
<i>Of which: leases</i>	1.2	1.3
TOTAL SHORT-TERM FINANCIAL DEBTS	126.3	92.2
Other short-term liabilities for derivative financial instruments	0.3	0.3
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	126.6	92.5
Trade and other payables	350.9	325.4
Tax payables	6.7	6.1
Other current liabilities	9.3	9.7
TOTAL CURRENT LIABILITIES	493.5	433.7
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		
Financial debts to bank	107.6	141.1
Other medium/long-term financial debts	213.7	218.4
<i>Of which: leases</i>	7.4	8.1
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	321.3	359.5
Other medium/long term financial liabilities for derivative financial instruments	11.1	11.6
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	332.4	371.1
OTHER LONG-TERM LIABILITIES		
Long-term provisions	76.1	79.2
Other payables	11.9	9.2
Deferred tax liabilities	36.2	36.3
TOTAL OTHER LONG-TERM LIABILITIES	124.2	124.7
TOTAL NON-CURRENT LIABILITIES	456.6	495.8
SHAREHOLDERS' EQUITY		
Share capital	61.7	61.7
Reserves and retained earnings (accumulated losses)	104.2	108.0
Group net result for the period	2.9	1.1
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	168.8	170.8
Non-controlling interests	20.7	19.6
TOTAL SHAREHOLDERS' EQUITY	189.5	190.4
TOTAL LIABILITIES AND EQUITY	1,139.6	1,119.9

CONSOLIDATED INCOME STATEMENT FROM 1.1.2016 TO 03.31.2016

(in millions of Euro)

	Period		Period		Change	
	01.01 – 03.31.2016		01.01 – 03.31.2015			
	Amount	%	Amount	%	Amount	%
Sales revenues	390.1	100.0	372.5	100.0	17.6	4.7
Variable cost of sales	280.9	72.0	269.0	72.2	11.9	4.4
CONTRIBUTION MARGIN	109.2	28.0	103.5	27.8	5.7	5.5
Manufacturing and R&D overheads	36.3	9.3	35.6	9.6	0.7	1.9
Depreciation and amortization	16.6	4.3	15.8	4.2	0.8	5.4
Distribution and sales fixed expenses	11.5	2.9	11.4	3.1	0.1	0.4
Administrative and general expenses	18.1	4.7	18.1	4.9	-	0.4
Restructuring costs	1.4	0.4	0.4	0.1	1.0	271.1
Losses (gains) on disposal	-	-	-	-	-	-
Exchange losses (gains)	1.1	0.3	(0.8)	(0.2)	1.9	236.7
Other non-operating expenses (income)	8.2	2.1	3.9	1.0	4.3	106.8
- of which non-recurring	2.4		-		2.4	
EBIT	16.0	4.1	19.1	5.1	(3.1)	(16.3)
Financial expenses (income), net	8.5	2.2	6.8	1.9	1.7	24.5
- of which fair value of the embedded derivative	-	-	(1.5)	-	1.5	-
- of which other net financial expenses (income)	8.5		8.3		0.2	2.4
Losses (gains) from equity investments	-		-		-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	7.5	1.9	12.3	3.2	(4.8)	-
Income taxes	3.4	0.9	3.9	1.0	(0.5)	(13.2)
NET RESULT BEFORE NON-CONTROLLING INTERESTS	4.1	1.0	8.4	2.2	(4.3)	(50.6)
Loss (income) attributable to non-controlling interests	(1.2)	(0.3)	(0.8)	(0.2)	(0.4)	(48.6)
GROUP NET RESULT	2.9	0.8	7.6	2.0	(4.7)	(61.5)

CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)

	03.31.2016	12.31.2015	03.31.2015
A. Cash	122.9	121.9	108.8
B. Other cash at bank and on hand (held to maturity investments)	4.0	4.0	7.0
C. Financial instruments held for trading	-	-	-
D. Liquid funds (A) + (B) + (C)	126.9	125.9	115.8
E. Current financial receivables	1.1	2.3	2.3
F. Current payables to banks	(25.3)	(17.8)	(25.0)
G. Current portion of non-current indebtedness	(101.1)	(74.5)	(96.3)
H. Other current financial debts	(0.3)	(0.3)	(0.2)
I. Current financial indebtedness (F) + (G) + (H)	(126.7)	(92.6)	(121.5)
J. Current financial indebtedness, net (I) + (E) + (D)	1.3	35.6	(3.4)
K. Non-current payables to banks	(107.6)	(141.1)	(102.6)
L. Bonds issued	(205.1)	(208.9)	(207.8)
M. Other non-current financial debts	(19.7)	(21.1)	(22.6)
N. Convertible bond embedded derivative liability	-	-	-
O. Non-current financial indebtedness (K) + (L) + (M) + (N)	(332.4)	(371.1)	(333.0)
P. Net indebtedness (J) + (O)	(331.1)	(335.5)	(336.4)
Non-current financial receivables	8.5	13.2	8.9
Financial indebtedness, net including non-current financial receivables	(322.6)	(322.3)	(327.5)

CONSOLIDATED CASH FLOW STATEMENT
(in millions of Euro)

	March 31, 2016	December 31, 2015	March 31, 2015
SELF-FINANCING	21.2	53.4	(1.9)
Change in net working capital	(7.0)	(4.2)	(2.4)
Other medium/long-term assets/liabilities	1.9	4.8	(1.5)
CASH FLOW GENERATED BY OPERATIONS	16.1	54.0	(5.8)
Sale of equity investments	-	-	-
Net decrease from sale of fixed assets	-	1.0	0.1
TOTAL SOURCES	16.1	55.0	(5.7)
Increase in intangible assets	7.4	30.4	8.6
Purchase of tangible assets	8.7	51.3	11.1
TOTAL APPLICATION OF FUNDS	16.1	81.7	19.7
Exchange differences on assets/liabilities and equity	(0.2)	1.9	(3.5)
FREE CASH FLOW	(0.2)	(24.8)	(28.9)
Holding Company increases in capital	-	0.1	0.1
Increase in share capital of consolidated subsidiaries	0.1	0.1	-
Dividends paid by subsidiaries to non-controlling interests	-	(4.3)	-
Change in fair value of effective derivative instruments	(0.2)	10.9	5.6
CHANGES IN SHAREHOLDERS' EQUITY	(0.1)	6.8	5.7
Change in net financial position	(0.3)	(18.0)	(23.2)
Opening net financial position	(322.3)	(304.3)	(304.3)
CLOSING NET FINANCIAL POSITION	(322.6)	(322.3)	(327.5)

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

The consolidated Interim financial report as at March 31, 2016, which has not been externally audited, has been prepared in compliance with International Accounting Standards (IAS/IFRS) and to this end, the financial statements of consolidated investee companies have been appropriately reclassified and adjusted.

The interim financial report has been drawn up in accordance with the provisions of art. 154-ter, paragraph 5 of Legislative Decree no. 58 of 2/24/98 (Consolidated Law on Finance) and subsequent amendments. Therefore, the provisions of the international accounting standard regarding interim financial information (IAS 34 "Interim financial reporting") have not been adopted.

2. CONSOLIDATION PRINCIPLES

Consolidation is performed on a line-by-line basis. The criteria adopted for the application of this method have not changed with respect to those used as at December 31, 2015.

3. ACCOUNTING STANDARDS APPLIED

The accounting standards applied in the preparation of the financial statements as at March 31, 2016 are the same as those applied to the financial statements as at December 31, 2015.

COMMENTS ON THE FINANCIAL STATEMENTS

Changes in the Group's consolidated shareholders' equity and in total shareholders' equity during the first quarter of 2016 are as follows:

(in millions of Euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to non-controlling interests	Total Group and non-controlling shareholders' equity
Balance at December 31, 2015	170.8	19.6	190.4
Paid share capital increase	-	0.1	0.1
Dividends	-	-	-
Currency translation differences and other changes	(4.9)	(0.2)	(5.1)
Net result for the period	2.9	1.2	4.1
Balance at March 31, 2016	168.8	20.7	189.5

Shareholders' equity excluding minority interests stood at € 168.8 million at March 31, 2016 (€ 170.8 million at December 31, 2015).

REVENUE TREND

In the first quarter of 2016, Sogefi reported growth in revenues of 4.7% to € 390.1 million (+10.5% at the same exchange rates).

REVENUES BY BUSINESS UNIT

	3M 2016	3M 2015	Reported change	Like for like change*
Suspensions	143.1	141.1	1.4%	7.6%
Filtration	131.1	132.5	-1.0%	5.5%
Air&Cooling	116.6	100.1	16.5%	20.5%
Intercompany	(0.7)	(1.1)		
TOTAL	390.1	372.5	4.7%	10.5%

*constant group structure and exchange rate

In the first quarter of 2016 Suspensions increased sales by 1.4%, Air &Cooling by 16.5%, while Filtration sales declined by 1%.

At the same exchange rates, all business units showed increasing revenues in the quarter:

Suspensions sales rose by 7.6%, Filtration sales were up by 5.5% and Air & Cooling sales increased 20.5%.

REVENUE BY GEOGRAPHICAL AREA

The breakdown of revenues by business area is as follows:

	Q1 2016	Q1 2015	Reported change	Reference market	Like for like change*	Weight based on Q1
Europe	245.2	244.9	0.1%	5.1%	0.5%	62.9%
North America	75.3	57.9	30.0%	5.2%	38.2%	19.3%
South America	35.0	45.2	-22.6%	-27.7%	12.3%	9.0%
Asia	33.5	23.0	45.5%	5.0%	51.0%	8.6%
Other	1.1	1.5				
TOTAL	390.1	372.5	4.7%		10.5%	100.0%

*constant group structure and exchange rate

European markets account for 62.9% of Group revenues during the first three months of 2016. The weight of the North American and Asian markets increased by 3.8 and 2.4 percentage points respectively compared to the same period of 2015. South America in the first quarter of 2016 accounts for less than 10% of total sales.

EMPLOYEES

	03.31.2016	12.31.2015	03.31.2015
Managers	111	98	99
Clerical staff	1,877	1,866	1,818
Blue collar workers	4,793	4,738	4,854
TOTAL	6,781	6,702	6,771

The Sogefi group had 6,781 employees at March 31, 2016 compared to 6,702 at December 31, 2015.

Milan, April 27, 2016

THE BOARD OF DIRECTORS

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

Subject: Interim financial report as at March 31, 2016

The undersigned, Mr. Yann Albrand - Manager responsible for preparing the Company's financial reports-

declares

pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance that the accounting information contained in this document corresponds to the document results, books and accounting records.

Milan, April 27, 2016

SOGEFI S.p.A.
(Yann Albrand)