

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

In the year 2016, the the parent company Sogefi S.p.A. reported net income of Euro 27.7 million, compared to a net loss of Euro 6.8 million in the previous year.

Compared to the previous year, “Financial income/expenses and dividends” include higher dividends from subsidiaries, namely Euro 22.8 million, non-ordinary income in the amount of Euro 6 million from the favourable outcome of a dispute with French tax authorities over the allowance of tax credits on foreign dividends from previous years, as well as higher net financial expenses of Euro 1.5 million.

“Operating costs” decreased over the previous year and reflect less services provided to subsidiaries as per item “Other operating revenues”.

“Other non-operating income (expenses)” include extraordinary income of Euro 2.3 million generated after the expenses incurred in the international arbitration proceedings versus Dayco were allocated to the French subsidiary Sogefi Air & Refroidissement France S.A.S. During the previous year, non-operating expenses amounted to Euro 6.1 million as the Company waived trade receivables from the Argentinian subsidiaries and incurred an expense of Euro 2.2 million for reorganising executive and clerical functions.

(in millions of Euro)	2016	2015
Financial income/expenses and dividends	29.9	2.6
Other operating revenues	22.5	23.5
Operating costs	(25.7)	(26.5)
Other non-operating income (expenses)	0.3	(10.3)
RESULT BEFORE TAXES	27.0	(10.7)
Income taxes	(0.7)	(3.9)
NET RESULT	27.7	-6.8

As regards the **statement of financial position**, the table below shows the main items as at 31 December 2016, compared to the figures recorded at the end of the previous year:

(in millions of Euro)	Note(*)	12.31.2016	12.31.2015
Short-term assets	(n)	13.2	17.4
Short-term liabilities	(o)	(8.2)	(10.0)
Net working capital		5.0	7.4
Equity investments	(p)	416.7	404.0
Other fixed assets	(q)	56.9	62.8
CAPITAL INVESTED		478.6	474.2
Other medium and long-term liabilities	(r)	(0.6)	(0.9)
NET CAPITAL INVESTED		478.0	473.3
Net financial indebtedness		280.1	305.8
Shareholders' equity		197.9	167.5
TOTAL		478.0	473.3

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

The decrease in “Net working capital” is mainly due to higher service revenues from subsidiaries compared to the previous year.

“Equity investments” increased as a result of a capital addition of Euro 19.8 million to subsidiary Sogefi (Suzhou) Auto Parts Co., Ltd and decreased after subsidiary Allevard Sogefi U.S.A. Inc. repaid reserves amounting to Euro 23.1 million (equivalent to USD 25 million), Euro 16.1 million of which were recognised in the Income Statement under “Dividends and other income from equity investments”. In December 2016, the Company funded a capital stock increase approved by the French subsidiary Sogefi Filtration France S.A. by transferring the investments held in subsidiaries Sogefi Filtration Ltd, Sogefi Filtration d.o.o. and Sogefi Filtration Spain S.A. for a total amount of Euro 88.8 million.

“Shareholders' equity” amounted to Euro 197.9 million as at 31 December 2016, as compared to Euro 167.5 as at 31 December 2015. This increase reflects for the most part the result for the year 2016, share capital increase of Euro 0.8 million after employees of the Company and of the Group underwrote Stock Option Plans and an increase (Euro 1.6 million) in the specific reserve for cash flow hedging instruments (measured at fair value).

Net financial indebtedness as at 31 December 2016 was Euro 280.1 million, showing a year-over-year improvement of Euro 25.7 million compared to 31 December 2015.

(in millions of Euro)	12.31.2016	12.31.2015
Short-term cash investments	25.1	45.2
Short/medium-term financial receivables to third and subsidiaries	154.1	124.3
Short-term financial debts (*)	(210.0)	(130.5)
Medium/long-term financial debts	(249.3)	(344.8)
NET FINANCIAL POSITION	(280.1)	(305.8)

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

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

(in millions of Euro)	Note(*)	2016	2015
SELF-FINANCING	(s)	34.2	(1.6)
Change in net working capital	(t)	2.4	(1.9)
Other medium/long term assets/liabilities	(u)	2.6	12.2
CASH FLOW GENERATED BY OPERATIONS		39.2	8.7
Sale of equity investments	(v)	7.0	-
TOTAL SOURCES		46.2	8.7
Increase in intangible assets		1.1	1.9
Purchase of tangible assets		0.1	0.3
Purchase of equity investments		20.0	6.6
TOTAL APPLICATION OF FUNDS		21.2	8.8
FREE CASH FLOW		25.0	(0.1)
Holding Company increases in capital		0.8	0.1
Change in fair value derivative instruments		(0.1)	1.9
Dividends paid by the Holding Company		-	-
CHANGES IN SHAREHOLDERS' EQUITY		0.7	2.0
Change in net financial position	(w)	25.7	1.9
Opening net financial position	(w)	(305.8)	(307.7)
CLOSING NET FINANCIAL POSITION	(w)	(280.1)	(305.8)

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

In 2016, the improved Free cash flow compared to the previous year was generated by the improved profitability of the year, an increase in working capital, repayments of reserves by subsidiaries and lower investments in tangible and intangible fixed assets net of share capital increases in subsidiaries.