

# **INTERIM FINANCIAL REPORT AS AT MARCH 31, 2014**

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 61,440,767.44  
MANTOVA COMPANY REGISTER AND TAX CODE 00607460201  
COMPANY SUBJECT TO POLICY GUIDANCE AND COORDINATION ON THE PART OF CIR S.p.A.  
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## **BOARD OF DIRECTORS' REPORT ON OPERATIONS AS AT MARCH 31, 2014**

During the first quarter of 2014, key world automotive markets were characterised by a positive trend and the euro was especially strong against other main currencies. Within this scenario, Sogefi obtained a revenue growth of 2.9%, which gets to 9.1% at equal exchange rates. This result was obtained thanks to the focus on non-European markets, namely North America and Asia, where Sogefi revenues continued to grow significantly, in spite of the exchange rate effect. Group revenues grew in local currency throughout all areas, but were negatively affected by the unfavourable effect of exchange rates, especially in South America.

Group operating result was consistent with 2013 values, while EBITDA and EBIT were negatively affected by the significant increase of the restructuring costs in Europe (€ 11.3 million in the first quarter of 2014 compared to € 0.4 million in 2013). Net result for the quarter was negative, due to restructuring costs.

With regard to the performance of world automotive markets during the first quarter, an increase in production volumes in Europe (+9% on Q1 2013) was mainly the consequence of the recovery from last year's low volumes.

In the rest of the world, China recorded an increase in production volumes (+10%) and the same goes for the NAFTA area (+6%), whereas production volumes dropped by 7% in Brazil and Argentina.

Sogefi ended the first quarter with **consolidated revenues of € 338.7 million, up by 2.9%** compared to € 329.2 million in the first quarter of 2013 (**+9.1% exchange rates being equal**). This result was positively affected mainly by **the uptrend of North American and Asian markets**, which, despite unfavourable exchange rate effects, recorded growing revenues respectively by 11.5% (€ 50.3 million; +23.7% exchange rates being equal) and 27.7% (€ 16.5 million; +37.7% exchange rates being equal) compared to the first quarter of 2013. Even Europe values were slightly increasing (+5.8%) with revenues getting to € 227.4 million thanks to the positive performance of the engine systems and aftermarket businesses. South America revenues recorded a 5.9% growth in local currency. However, the same item translated to euro recorded a drop of 20.2% at € 43.7 million due to the unfavourable exchange rate effect.

The **Engine Systems Business Unit** recorded growing revenues by 4.4% at € 210.6 million compared to € 201.9 million in Q1 2013, while **Suspension Components Business Unit**

revenues were at € 128.8 million compared to € 127.9 million in Q1 2013 (+0.7%).

The **consolidated operating result** was **€ 22.0 million**, stable compared to Q1 2013, accounting for 6.5% of revenues (6.7% in Q1 2013).

During the first quarter, the efficiency improvement measures aimed at rationalising manufacturing capacity in Europe continued. Within the *Suspension Components Business Unit*, in particular, the group disclosed the plan for closing one of the plants in France. This resulted in € 11.3 million restructuring costs, of which € 7.1 million refer to costs for rationalising manufacturing capacity and € 4.2 million refer to depreciation of assets and other restructuring costs. During the first quarter of 2013, restructuring costs were € 0.4 million.

**Consolidated EBITDA** was **€ 20.9 million** (€ 32.1 million in Q1 2013); it was **€ 31.8 million net of restructuring activities** (€ 32.5 million in Q1 2013; -2%) with a slight decrease from 9.9% to 9.4% in percentage terms.

**Consolidated EBIT** was **€ 5.8 million** (€ 18.2 million in Q1 2013); it was **€ 17.1 million net of restructuring activities** (€ 18.6 million in Q1 2013; -8.1%) with a slight decrease from 5.7% to 5.0% in terms of percentage on revenues.

The **result before taxes and non-controlling interests** was negative at € 2.6 million (€ 12.6 million in the first quarter of 2013), due to increased restructuring costs and increased financial expenses incurred after debt was refinanced with new credit lines at current market prices which replaced the existing credit lines opened before the crisis.

As a result, **consolidated net result for the first quarter of 2014** was **€ 6.3 million** (€ 7.0 million profit in the first quarter of last year).

**Net financial indebtedness** was **€ 322.5 million** as of March 31, 2014, compared to € 304.6 million as of December 31, 2013. This increase is due to the seasonal cash outflows typical of the *automotive* industry and to the cash disbursement for part of the restructuring costs recorded in Q4 2013.

**Equity** on the same date was **€ 182.3 million** (€ 188.9 million as at December 31, 2013).

At the end of the first quarter of 2014, the Sogefi Group's **workforce** was **6,920** (6,834 as at December 31, 2013).

## PERFORMANCE OF THE ENGINE SYSTEMS DIVISION

The *Engine Systems Business Unit* realised revenues of € 210.6 million, up 4.4% from € 201.9 million in the first quarter of 2013. This result was supported by the growth in non-European countries and especially in the Nafta area, India and China, but also by the European aftermarket growth.

The Business Unit's operating result grew by 8.7% at € 15.5 million with an increased impact on revenues of 7.4% compared to 7.1% in Q1 2013 (€ 14.3 million)

The Business Unit's EBITDA and EBIT results were negatively affected by the increase in restructuring costs in Europe, which were € 2.5 million for the Engine Systems Business Unit in the first quarter of 2014 (€ 0.3 million in Q1 2013).

- EBITDA was € 20.7 million and was basically stable compared to the first quarter of 2013 (€ 20.5 million); it was € 23.1 million net of restructuring costs (€ 20.8 million in Q1 2013) and its impact on revenues increased from 10.3% in 2013 to 11%.
- EBIT was € 12.8 million and was stable compared to the previous year; it was € 15.2 million net of restructuring costs (€ 13.1 million in Q1 2013) and its impact on revenues increased from 6.5% in 2013 to 7.2%.

At the end of the first quarter of 2014, the Engine Systems Business Unit **workforce** was **4,007** (4,047 as at December 31, 2013).

## PERFORMANCE OF THE SUSPENSION COMPONENTS DIVISION

*The Suspension Components Business Unit* realised revenues for € 128.8 million, up 0.7% from € 127.9 million in the same 2013 period.

The Business Unit's operating result was € 9.5 million, stable compared to the first quarter of 2013 with a substantially consistent impact on revenues of 7.4%.

The Business Unit's EBITDA and EBIT results were negatively affected by the increase in restructuring costs in Europe, which were € 8.8 million for the Suspensions Business Unit in the first quarter of 2014 (€ 0.1 million in Q1 2013).

- EBITDA was € 4.6 million ( € 13.1 million in Q1 2013); if considered net of restructuring costs, it was basically consistent with the previous year at € 13.1 million with impact on revenues of 10.2% (€ 13.2 million at 10.3% on revenues in Q1 2013)

- EBIT was at a negative € 1.4 million (€ 7.8 million in Q1 2013); it was € 7.5 million net of restructuring costs (€ 7.9 million in Q1 2013) and its impact on revenues increased from 6.2% in Q1 2013 to 5.8%.

At the end of the first quarter of 2014, the Suspensions Business Unit **workforce** was **2,770** (2,714 as at December 31, 2013).

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

During the period, the Holding Company Sogefi S.p.A. recorded a net loss of € 6.9 million, compared to the loss of €3.5 million posted in the first quarter of 2013.

The change mainly reflects higher financial expense (€ 1.8 million) as a result of debt refinancing; fair value (€ 1 million) of contracts to hedge its interest rate risk reclassified to income statement since they were considered inefficient based on applicable accounting principles; higher fees due to phantom stock option plan vested in favour of the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan.

#### **EXEMPTION FROM THE OBLIGATION TO PUBLISH INFORMATION DOCUMENTS UNDER ARTICLE 70, PARAGRAPH 8 AND ARTICLE 71, PARAGRAPH 1-BIS OF THE RULES FOR ISSUERS**

In relation to art. 70, paragraph 8 and art. 71, paragraph 1-bis of Consob Regulation no. 11971/99, as amended by Consob Resolution no. 18079 of January 20, 2012, on October 23, 2012, the Board of Directors resolved to make use – effective today – 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.

## **OUTLOOK FOR OPERATIONS**

2014 forecasts for global automotive markets point to an uptrend, driven for the most part by the Chinese market and by more moderate growth expected on the North American markets, as well as by further stabilisation in Europe. The Brazil and Argentina markets are expected to continue their sluggish performance.

Within this scenario, the Sogefi Group expects to:

- continue to expand the internationalisation of the group by leveraging its competitive position in the different geographical areas;
- increase its focus on innovation and product mix improvement;
- promote integration across the group;
- speed up the measures to improve the structural efficiency of its European operations.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

<b>ASSETS</b>	<b>03.31.2014</b>	<b>12.31.2013</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	94.6	125.3
Other financial assets	9.7	7.5
<i>Working capital</i>		
Inventories	151.6	143.1
Trade receivables	175.7	145.9
Other receivables	9.4	7.8
Tax receivables	21.9	20.5
Other assets	5.2	3.7
<b>TOTAL WORKING CAPITAL</b>	<b>363.8</b>	<b>321.0</b>
<b>TOTAL CURRENT ASSETS</b>	<b>468.1</b>	<b>453.8</b>
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
Land	14.4	15.4
Property, plant and equipment	211.6	216.0
Other tangible fixed assets	4.8	5.0
<i>Of wich: leases</i>	7.2	7.4
Intangible assets	267.9	262.7
<b>TOTAL FIXED ASSETS</b>	<b>498.7</b>	<b>499.1</b>
<b>OTHER NON-CURRENT ASSETS</b>		
Investments in joint ventures	-	-
Other financial assets available for sale	0.4	0.4
Non-current trade receivables	-	-
Financial receivables	-	-
Other receivables	32.3	31.6
Deferred tax assets	60.9	59.6
<b>TOTAL OTHER NON-CURRENT ASSETS</b>	<b>93.6</b>	<b>91.7</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>592.3</b>	<b>590.8</b>
<b>NON-CURRENT ASSETS HELD FOR SALE</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,060.4</b>	<b>1,044.6</b>

<b>LIABILITIES</b>	<b>03.31.2014</b>	<b>12.31.2013</b>
<b>CURRENT LIABILITIES</b>		
Bank overdrafts and short-term loans	5.1	6.9
Current portion of medium/long-term financial debts and other loans	73.8	76.7
<i>Of which: leases</i>	1.0	1.1
<b>TOTAL SHORT-TERM FINANCIAL DEBTS</b>	<b>78.9</b>	<b>83.6</b>
Other short-term liabilities for derivative financial instruments	0.3	0.1
<b>TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>79.2</b>	<b>83.7</b>
Trade and other payables	313.2	285.4
Tax payables	6.4	4.6
Other current liabilities	4.4	8.1
<b>TOTAL CURRENT LIABILITIES</b>	<b>403.2</b>	<b>381.8</b>
<b>NON-CURRENT LIABILITIES</b>		
<b>MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Financial debts to bank	201.2	213.7
Other medium/long-term financial debts	121.8	118.7
<i>Of which: leases</i>	6.4	6.6
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS</b>	<b>323.0</b>	<b>332.4</b>
Other medium/long term financial liabilities for derivative financial instruments	24.7	21.4
<b>TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>347.7</b>	<b>353.8</b>
<b>OTHER LONG-TERM LIABILITIES</b>		
Long-term provisions	89.5	81.6
Other payables	0.2	0.3
Deferred tax liabilities	37.5	38.3
<b>TOTAL OTHER LONG-TERM LIABILITIES</b>	<b>127.2</b>	<b>120.2</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>474.9</b>	<b>474.0</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	61.4	60.9
Reserves and retained earnings (accumulated losses)	105.7	86.4
Group net result for the period	(6.3)	21.1
<b>TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY</b>	<b>160.8</b>	<b>168.5</b>
Non-controlling interests	21.5	20.4
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>182.3</b>	<b>188.9</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,060.4</b>	<b>1,044.6</b>



## CONSOLIDATED INCOME STATEMENT FROM 01.01.2014 TO 03.31.2014

(in millions of Euro)

	Period 01.01 – 03.31.2014		Period 01.01 – 03.31.2013		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	338.7	100.0	329.2	100.0	9.5	2.9
Variable cost of sales	239.4	70.7	230.3	70.0	9.1	4.0
<b>CONTRIBUTION MARGIN</b>	<b>99.3</b>	<b>29.3</b>	<b>98.9</b>	<b>30.0</b>	<b>0.4</b>	<b>0.4</b>
Manufacturing and R&D overheads	32.9	9.7	34.7	10.5	(1.8)	(5.1)
Depreciation and amortization	14.7	4.4	14.1	4.3	0.6	4.3
Distribution and sales fixed expenses	9.9	2.9	9.8	3.0	0.1	0.8
Administrative and general expenses	19.8	5.8	18.2	5.5	1.6	8.4
<b>OPERATING RESULT</b>	<b>22.0</b>	<b>6.5</b>	<b>22.1</b>	<b>6.7</b>	<b>(0.1)</b>	<b>(0.2)</b>
Restructuring costs	7.1	2.1	0.4	0.1	6.7	-
Losses (gains) on disposal	-	-	-	-	-	-
Exchange losses (gains)	1.5	0.4	(0.2)	(0.1)	1.7	-
Other non-operating expenses (income)	7.6	2.3	3.7	1.2	3.9	107.9
<b>EBIT</b>	<b>5.8</b>	<b>1.7</b>	<b>18.2</b>	<b>5.5</b>	<b>(12.4)</b>	<b>(68.1)</b>
Financial expenses (income), net	8.4	2.5	5.6	1.7	2.8	49.3
Losses (gains) from equity investments	-	-	-	-	-	-
<b>RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS</b>	<b>(2.6)</b>	<b>(0.8)</b>	<b>12.6</b>	<b>3.8</b>	<b>(15.2)</b>	<b>(121.0)</b>
Income taxes	2.7	0.8	4.8	1.4	(2.1)	(43.1)
<b>NET RESULT BEFORE NON-CONTROLLING INTERESTS</b>	<b>(5.3)</b>	<b>(1.6)</b>	<b>7.8</b>	<b>2.4</b>	<b>(13.1)</b>	<b>(167.6)</b>
Loss (income) attributable to non-controlling interests	(1.0)	(0.3)	(0.8)	(0.3)	(0.2)	(20.3)
<b>GROUP NET RESULT</b>	<b>(6.3)</b>	<b>(1.9)</b>	<b>7.0</b>	<b>2.1</b>	<b>(13.3)</b>	<b>(190.0)</b>

## CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)

	03.31.2014	12.31.2013	03.31.2013
A. Cash	94.6	125.3	88.3
B. Other cash at bank and on hand (held to maturity investments)	9.7	7.5	4.0
C. Financial instruments held for trading	-	-	-
<b>D. Liquid funds (A) + (B) + (C)</b>	<b>104.3</b>	<b>132.8</b>	<b>92.3</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>	<b>0.2</b>
F. Current payables to banks	(5.1)	(6.9)	(18.8)
G. Current portion of non-current indebtedness	(73.7)	(76.7)	(101.6)
H. Other current financial debts	(0.3)	(0.1)	(0.5)
<b>I. Current financial indebtedness (F) + (G) + (H)</b>	<b>(79.1)</b>	<b>(83.7)</b>	<b>(120.9)</b>
<b>J. Current financial indebtedness, net (I) + (E) + (D)</b>	<b>25.2</b>	<b>49.1</b>	<b>(28.4)</b>
K. Non-current payables to banks	(201.2)	(213.7)	(258.8)
L. Bonds issued	(107.8)	(107.8)	-
M. Other non-current financial debts	(38.7)	(32.2)	(24.7)
<b>N. Non-current financial indebtedness (K) + (L) + (M)</b>	<b>(347.7)</b>	<b>(353.7)</b>	<b>(283.5)</b>
<b>O. Net indebtedness (J) + (N)</b>	<b>(322.5)</b>	<b>(304.6)</b>	<b>(311.9)</b>
Non-current financial receivables	-	-	-
<b>Financial indebtedness, net including non-current financial receivables</b>	<b>(322.5)</b>	<b>(304.6)</b>	<b>(311.9)</b>

## CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)

	March 31, 2014	December 31, 2013	March 31, 2013
SELF-FINANCING	16.1	87.9	14.5
Change in net working capital	(17.4)	6.7	(9.5)
Other medium/long-term assets/liabilities	(0.4)	(1.3)	(1.0)
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>(1.7)</b>	<b>93.3</b>	<b>4.0</b>
Sale of equity investments	-	0.1	-
Net decrease from sale of fixed assets	3.1	1.9	0.1
<b>TOTAL SOURCES</b>	<b>1.4</b>	<b>95.3</b>	<b>4.1</b>
Increase in intangible assets	10.8	47.8	11.0
Purchase of tangible assets	7.9	36.0	7.1
<b>TOTAL APPLICATION OF FUNDS</b>	<b>18.7</b>	<b>83.8</b>	<b>18.1</b>
Exchange differences on assets/liabilities and equity	-	(1.5)	(1.0)
<b>FREE CASH FLOW</b>	<b>(17.3)</b>	<b>10.0</b>	<b>(15.0)</b>
Holding Company increases in capital	1.7	0.8	-
Net purchase of treasury share	-	-	-
Increase in share capital of consolidated subsidiaries	-	-	-
Dividends paid by the Holding Company to shareholders	-	(14.7)	-
Dividends paid by subsidiaries to non-controlling interests	-	(2.6)	-
Change in fair value of effective derivative instruments	(2.3)	(2.3)	(1.1)
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>(0.6)</b>	<b>(18.8)</b>	<b>(1.1)</b>
<b>Change in net financial position</b>	<b>(17.9)</b>	<b>(8.8)</b>	<b>(16.1)</b>
<b>Opening net financial position</b>	<b>(304.6)</b>	<b>(295.8)</b>	<b>(295.8)</b>
<b>CLOSING NET FINANCIAL POSITION</b>	<b>(322.5)</b>	<b>(304.6)</b>	<b>(311.9)</b>

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

### **1. INTRODUCTION**

The consolidated Interim financial report as at March 31, 2014, 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, 2013.

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

The accounting standards applied in the preparation of the financial statements as at March 31, 2014 are the same as those applied to the financial statements as at December 31, 2013.

## COMMENTS ON THE FINANCIAL STATEMENTS

Changes in the Group's consolidated shareholders' equity and in total shareholders' equity in the first quarter of 2014 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, 2013	168.5	20.4	188.9
Paid share capital increase	1.7	-	1.7
Dividends	-	-	-
Currency translation differences and other changes	(3.1)	0.1	(3.0)
Net result for the period	(6.3)	1.0	(5.3)
Balance at March 31, 2014	160.8	21.5	182.3

Revenues amounted to Euro 338.7 million, compared to 329.2 million in the corresponding period of 2013 (+2.9%).

Both Business Units positively contributed to revenue increase, as detailed below:

(in millions of Euro)	03.31.2014		03.31.2013		Change	
	Amount	%	Amount	%	Amount	%
Engine Systems	210.6	62.2	201.9	61.3	8.7	4.4
Suspension components	128.8	38.0	127.9	38.9	0.9	0.7
Intercompany eliminations	(0.7)	(0.2)	(0.6)	(0.2)	(0.1)	16.7
TOTAL	338.7	100.0	329.2	100.0	9.5	2.9

The breakdown of revenues by geographical area is as follows. In particular, the South American market was affected by currency devaluation, net of which revenues grew by 5.9%.

(in millions of Euro)

	<b>03.31.2014</b>		<b>03.31.2013</b>		<b>Change</b>	
	Amount	%	Amount	%	Amount	%
Europe	227.4	67.1	214.8	65.3	12.6	5.8
Mercosur	43.7	12.9	54.9	16.7	(11.2)	(20.2)
NAFTA	50.3	14.9	45.2	13.7	5.1	11.5
Asia	16.5	4.9	12.9	3.9	3.6	27.7
Rest of the World	0.8	0.2	1.4	0.4	(0.6)	(45.8)
<b>TOTAL</b>	<b>338.7</b>	<b>100.0</b>	<b>329.2</b>	<b>100.0</b>	<b>9.5</b>	<b>2.9</b>

As at March 31, 2014, the Group's workforce was 6,920, compared to 6,834 as at December 31, 2013 and 6,678 as at March 31, 2013. The following table shows a breakdown of employees:

	<b>03.31.2014</b>	<b>12.31.2013</b>	<b>03.31.2013</b>
Managers	109	108	111
Clerical staff	1,838	1,847	1,827
Blue collar workers	4,973	4,879	4,740
<b>TOTAL</b>	<b>6,920</b>	<b>6,834</b>	<b>6,678</b>

Milan, 23 April 2014

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, 2014**

The undersigned, Mr. Giancarlo Coppa - 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 23, 2014

SOGEFI S.p.A.  
(Giancarlo Coppa)