

INTERIM FINANCIAL REPORT AS AT MARCH 31, 2018

(Translation into English of the original Italian version)



JOINT-STOCK COMPANY - SHARE CAPITAL EURO 62,461,355.84
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 (FRANCE), PARC ARIANE IV - 7 AVENUE DU MAI 1945 – TEL. 0033 01 61374300
OFFICES: 20121 MILANO (ITALY), VIA CIOVASSINO, 1/A - TEL. 02.467501
WEBSITE: WWW.SOGEFIGROUP.COM

BOARD OF DIRECTORS' REPORT ON OPERATIONS AS AT MARCH 31, 2018

In the first quarter of 2018, the global automotive market reported a decline in production of 0.7% with Europe down 1.1%, a decline of 0.9% in Asia (mainly because of the contraction of the Chinese market -2.7%) and North America down 2.7%. By contrast, South America grew by +11.9%.

Before the presentation of the results of Sogefi in the first quarter of 2018, it is worth noting that from 1 January 2018 a change in the accounting criteria for the recognition of revenues occurred, deriving from the new accounting standard "IFRS 15 - Revenue from Contracts with Customers"; for a correct analysis of the evolution of the results, the values of the previous year have been restated according to the new accounting standard.

The considerable movements of the exchange rates of currencies other than the Euro in which the group operates, all of which lost significant value, had a strong impact on the evolution of the main economic indicators and particularly on revenues.

In this environment, in the first quarter of 2018 Sogefi reported **revenues** of Euro 421.1 million, up 2.8% at constant exchange rates but down 2.7% by at historical exchange rates compared with the first quarter of 2017.

Business in Europe and North America was substantially stable compared to the previous year (+0.1% and +0.4% respectively at constant exchange) but grew significantly in Asia and in South America (+8.5% and 16.3% respectively at constant exchange rates).

Suspensions posted growth of 2.5% (+7.2% at constant exchange rates). Filtration declined by 3.7% (+3.3% at constant exchange rates) while Air & Cooling sales declined by 7.9% (-3.1% at constant exchange rates).

EBITDA came in at Euro 53.1 million, in line with the first quarter of 2017 (Euro 53.3 million); at constant exchange rates EBITDA would have shown an increase of 5.1%. Profitability (EBITDA/revenues) improved from 12.3% to 12.6%.

EBIT, at Euro 25.6 million, was also in line with the first quarter of 2017 (Euro 25.3 million) and represents 6.1% of revenues. At constant exchange rates EBIT would have increased by 7.5%.

The **result before taxes and non-controlling interests** was Euro 18.8 million (Euro 18.9 million in the first quarter of 2017).

Net income was Euro 12 million, higher than in 2017 (Euro 10.5 million), after Euro 5.8 million of tax expense in 2018 versus Euro 7.3 million in 2017.

Free Cash Flow in the first quarter of 2018 amounted to a positive Euro 9.3 million compared to Euro 6.9 million in the same period of 2017.

Net financial debt at March 31, 2018 stood at Euro 254.3 million, showing an improvement of Euro 9.7 million compared to December 31, 2017 (Euro 264 million) and of Euro 37.1 million compared to March 31, 2017 (Euro 291.4 million).

Regarding the risks resulting from the claims made against Sogefi Air & Cooling S.A.S. (formerly Systèmes Moteurs S.A.S.), in the first quarter of 2018 there were no significant developments.

The Sogefi Group had 6,972 **employees** at March 31, 2018 compared to 6,947 at December 31, 2017.

PERFORMANCE OF THE AIR & COOLING BUSINESS UNIT

In the first quarter of 2018, the revenues of the Air & Cooling business unit declined by 7.9% (-3.1% at constant exchange rates) to Euro 124.8 million. The revenues have been affected by the exchange rates effect and a weak performance in North American and Chinese markets.

EBIT amounted to Euro 9.0 million compared to Euro 8.4 million in the first quarter of 2017 with a ratio to sales up from 6.2% to 7.2%.

The business unit had 1,443 employees at March 31, 2018 compared to 1,431 at December 31, 2017.

PERFORMANCE OF THE FILTRATION BUSINESS UNIT

In the first quarter of 2018, the revenues of the Filtration business unit amounted to Euro 139.4 million, down 3.7% (+3.3% at constant exchange rates). At constant exchange rates sales grew in Asia, South and North America.

EBIT amounted to Euro 10.1 million compared to Euro 9.3 million in in the first quarter of 2017 with a ratio to sales up from 6.5% to 7.2%.

The business unit had 2,597 employees at March 31, 2018 compared to 2,623 at December 31, 2017.

PERFORMANCE OF THE SUSPENSIONS BUSINESS UNIT

In the first quarter of 2018, the revenues of the Suspensions business unit amounted to Euro 157.8 million, up +2.5% (+7.2% at constant exchange rates). Sales grew in all the regions except for China.

EBIT in the first quarter of 2018 came to Euro 7.5 million compared to Euro 10.6 in the first quarter of 2017 with a ratio to sales down at 4.8%. (6.9% in the first quarter of 2017). The reduction is mainly due to a significant increase in the steel cost, currently only partially transferred to the sales price.

The business unit had 2,873 employees at March 31, 2018 compared to 2,831 at December 31, 2017.

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

During the period, the Parent Company Sogefi S.p.A. recorded a net loss of Euro 5.2 million (Euro -4.3 million in the first quarter of 2017). The change was due mainly to higher net financial charges.

OUTLOOK FOR OPERATIONS

Despite the weak performance of the global automotive market in the first quarter of 2018, the Group confirms the expectation that it will moderately outperform the market at constant exchange rates and achieve a higher result.

SOGEFI GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in millions of Euro)

ASSETS	03.31.2018	12.31.2017 (*)
CURRENT ASSETS		
Cash and cash equivalents	99.6	103.9
Other financial assets	1.0	1.5
<i>Working capital</i>		
Inventories	125.1	122.9
Trade receivables	195.0	174.4
Other receivables	6.5	5.5
Tax receivables	23.4	23.1
Other assets	4.7	2.3
TOTAL WORKING CAPITAL	354.7	328.2
TOTAL CURRENT ASSETS	455.3	433.6
NON-CURRENT ASSETS		
Fixed assets		
Land	13.0	13.0
Property, plant and equipment	364.7	366.3
Other tangible fixed assets	5.8	5.6
<i>Of which: leases</i>	5.2	5.8
Intangible assets	289.4	291.1
TOTAL FIXED ASSETS	672.9	676.0
OTHER NON-CURRENT ASSETS		
Investments in joint ventures	-	-
Other financial assets available for sale	-	-
Non-current trade receivables	0.9	-
Financial receivables	-	2.2
Other receivables	38.8	37.4
Deferred tax assets	43.9	45.5
TOTAL OTHER NON-CURRENT ASSETS	83.6	85.1
TOTAL NON-CURRENT ASSETS	756.5	761.1
NON-CURRENT ASSETS HELD FOR SALE	3.4	3.4
TOTAL ASSETS	1,215.2	1,198.1

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

LIABILITIES	03.31.2018	12.31.2017 (*)
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	1.3	14.2
Current portion of medium/long-term financial debts and other loans	59.8	66.6
<i>Of which: leases</i>	1.7	1.7
TOTAL SHORT-TERM FINANCIAL DEBTS	61.1	80.8
Other short-term liabilities for derivative financial instruments	1.9	2.7
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	63.0	83.5
Trade and other payables	399.5	373.2
Tax payables	9.7	7.8
Other current liabilities	51.6	53.0
TOTAL CURRENT LIABILITIES	523.8	517.5
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		
Financial debts to bank	106.3	102.0
Other medium/long-term financial debts	184.7	186.2
<i>Of which: leases</i>	5.9	6.4
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	291.0	288.2
Other medium/long term financial liabilities for derivative financial instruments	0.7	-
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	291.7	288.2
OTHER LONG-TERM LIABILITIES		
Long-term provisions	85.5	87.1
Other payables	69.4	72.2
Deferred tax liabilities	40.7	39.7
TOTAL OTHER LONG-TERM LIABILITIES	195.6	199.0
TOTAL NON-CURRENT LIABILITIES	487.3	487.2
SHAREHOLDERS' EQUITY		
Share capital	62.5	62.4
Reserves and retained earnings (accumulated losses)	110.7	88.8
Group net result for the period	12.0	24.5
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	185.2	175.7
Non-controlling interests	18.9	17.7
TOTAL SHAREHOLDERS' EQUITY	204.1	193.4
TOTAL LIABILITIES AND EQUITY	1,215.2	1,198.1

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)	Period		Period		Change	
	01.01 – 03.31.2018		01.01 – 03.31.2017 (*)			
	Amount	%	Amount	%	Amount	%
Sales revenues	421.1	100.0	432.9	100.0	(11.8)	(2.7)
Variable cost of sales	293.2	69.6	299.7	69.2	(6.5)	(2.2)
CONTRIBUTION MARGIN	127.9	30.4	133.2	30.8	(5.3)	(4.0)
Manufacturing and R&D overheads	39.2	9.3	39.9	9.2	(0.7)	(1.8)
Depreciation and amortization	27.4	6.5	27.6	6.4	(0.2)	(0.8)
Distribution and sales fixed expenses	10.3	2.4	11.2	2.6	(0.9)	(7.9)
Administrative and general expenses	22.3	5.3	22.3	5.1	-	(0.3)
Restructuring costs	1.1	0.3	4.6	1.1	(3.5)	(76.8)
Losses (gains) on disposal	-	-	(0.1)	-	0.1	106.7
Exchange losses (gains)	0.6	0.2	(0.2)	-	0.8	474.2
Other non-operating expenses (income)	1.4	0.3	2.6	0.6	(1.2)	(44.5)
EBIT	25.6	6.1	25.3	5.8	0.3	1.3
Financial expenses (income), net	6.8	1.6	6.4	1.4	0.4	7.9
Losses (gains) from equity investments	-	-	-	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS	18.8	4.5	18.9	4.4	(0.1)	(1.0)
Income taxes	5.8	1.4	7.3	1.7	(1.5)	(21.7)
NET RESULT BEFORE NON-CONTROLLING INTERESTS	13.0	3.1	11.6	2.7	1.4	12.2
Loss (income) attributable to non-controlling interests	(1.0)	(0.2)	(1.1)	(0.3)	0.1	9.2
GROUP NET RESULT	12.0	2.9	10.5	2.4	1.5	14.5

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

CONSOLIDATED NET FINANCIAL POSITION

(in millions of Euro)	03.31.2018	12.31.2017	03.31.2017
A. Cash	99.6	103.9	76.1
B. Other cash at bank and on hand (held to maturity investments)	-	-	4.0
C. Financial instruments held for trading	-	-	-
D. Liquid funds (A) + (B) + (C)	99.6	103.9	80.1
E. Current financial receivables	1.0	1.5	1.2
F. Current payables to banks	(1.3)	(14.2)	(22.3)
G. Current portion of non-current indebtedness	(59.9)	(66.5)	(110.3)
H. Other current financial debts	(1.9)	(2.7)	(0.5)
I. Current financial indebtedness (F) + (G) + (H)	(63.1)	(83.4)	(133.1)
J. Current financial indebtedness, net (I) + (E) + (D)	37.5	22.0	(51.8)
K. Non-current payables to banks	(106.4)	(102.0)	(39.1)
L. Bonds issued	(178.0)	(178.9)	(199.8)
M. Other non-current financial debts	(7.4)	(7.3)	(15.3)
N. Non-current financial indebtedness (K) + (L) + (M)	(291.8)	(288.2)	(254.2)
O. Net indebtedness (J) + (N)	(254.3)	(266.2)	(306.0)
Non-current financial receivables	-	2.2	14.6
Financial indebtedness, net including non-current financial receivables	(254.3)	(264.0)	(291.4)

CONSOLIDATED CASH FLOW STATEMENT

(in millions of Euro)	March 31, 2018	December 31, 2017 (*)	March 31, 2017 (*)
SELF-FINANCING	41.2	160.3	44.6
Change in net working capital	0.6	12.1	(13.0)
Other medium/long-term assets/liabilities	(3.7)	1.7	1.8
CASH FLOW GENERATED BY OPERATIONS	38.1	174.1	33.4
Net decrease from sale of fixed assets	0.2	0.5	0.2
TOTAL SOURCES	38.3	174.6	33.6
Increase in intangible assets	8.2	40.0	9.6
Purchase of tangible assets	10.6	69.0	8.7
Purchase of tooling	8.8	32.5	6.9
Purchase of equity investments	-	0.0	0.0
TOTAL APPLICATION OF FUNDS	27.6	141.5	25.2
Exchange differences on assets/liabilities and equity	(1.4)	1.3	(1.5)
FREE CASH FLOW	9.3	34.4	6.9
Holding Company increases in capital	0.2	1.3	0.3
Increase in share capital of consolidated subsidiaries	0.1	0.2	-
Dividends paid by the Holding Company to shareholders	-	-	-
Dividends paid by subsidiaries to non-controlling interests	-	(2.6)	-
Change in fair value of effective derivative instruments	0.1	1.7	0.4
CHANGES IN SHAREHOLDERS' EQUITY	0.4	0.6	0.7
Change in net financial position	9.7	35.0	7.6
Opening net financial position	(264.0)	(299.0)	(299.0)
CLOSING NET FINANCIAL POSITION	(254.3)	(264.0)	(291.4)

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

The consolidated Interim financial report as at March 31, 2018, 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, 2017.

3. ACCOUNTING STANDARDS APPLIED

The accounting standards applied in the preparation of the financial statements as at March 31, 2018 are the same as those applied to the financial statements as at December 31, 2017 with the exception of the new principle "IFRS 15 - Revenue from Contracts with Customers" applied for the first time as from 1 January 2018. 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.

3.1 Application of new accounting standard IFRS 15

With regard to the Sogefi Group, the application of the new IFRS 15 principle has led to a change in the accounting of "tooling" supplied to customers, as shown below.

Supply of "tooling" 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 different 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"). Also 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.

In addition, the Group has 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 were considered marketing costs provided by customers to the Group.

The Group has carried out a restatement of the comparative fiscal year as at the date of first adoption of IFRS 15; therefore the values of the income statement and balance sheet for the year 2017 have been restated following the application of the new standard.

The application of the new standard generated a reduction in shareholders' equity as at 1 January 2018 from Euro 189 million to Euro 175.7 million (net of the tax effect) and a reduction in the 2017 net profit from Euro 26.6 million to Euro 24.5 million (net of the tax effect).

It should also be noted that the new accounting policy relating to tooling and prototypes mentioned above will lead to a reduction in the items "Sales revenues" and "Variable cost of sales" and an increase in the item "Depreciation and amortization".

The following tables show the effects of the adoption of the new standard in the income statement at March 31, 2017 and in the balance sheet as at December 31, 2017.

CONSOLIDATED INCOME STATEMENT

(in millions of Euro)	Period 01.01 – 03.31.2017	Period 01.01 – 03.31.2017 restated	Change
	Amount	Amount	Amount
Sales revenues	439.1	432.9	(6.2)
Variable cost of sales	314.1	299.7	(14.4)
Depreciation and amortization	17.9	27.6	9.7
Income taxes	7.7	7.3	(0.4)
GROUP NET RESULT	11.6	10.5	(1.1)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions of Euro)

ASSETS	12.31.2017	12.31.2017 restated	Change
Inventories	159.3	122.9	(36.4)
Property, plant and equipment	257.2	366.3	109.1
Intangible assets	272.6	291.1	18.5
Deferred tax assets	40.1	45.5	5.4
TOTAL ASSETS	1,101.5	1,198.1	96.6
LIABILITIES	12.31.2017	12.31.2017 restated	Change
Other current liabilities	8.6	53.0	44.4
Other non-current payables	6.7	72.2	65.5
TOTAL LIABILITIES	894.8	1,004.7	109.9
SHAREHOLDERS' EQUITY			
Reserves and retained earnings (accumulated losses)	100.0	88.8	(11.2)
Group net result for the period	26.6	24.5	(2.1)
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	189.0	175.7	(13.3)
TOTAL LIABILITIES AND EQUITY	1,101.5	1,198.1	96.6

COMMENTS ON THE FINANCIAL STATEMENTS

Changes in the Group's consolidated shareholders' equity and in total shareholders' equity during the first quarter of 2018 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, 2017 (*)	175.7	17.7	193.4
Paid share capital increase	0.3	0.2	0.5
Dividends	-	-	-
Currency translation differences and other changes	(2.8)	-	(2.8)
Net result for the period	12.0	1.0	13.0
Balance at March 31, 2018	185.2	18.9	204.1

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

At March 31, 2018 **shareholders' equity** excluding minority interests amounted to Euro 185.2 million (Euro 175.7 million at December 31, 2017).

REVENUE TREND

In the first quarter of 2018, Sogefi reported revenues of Euro 421.1 million, up 2.8% at constant exchange rates but down 2.7% by at historical exchange rates compared with the first quarter of 2017.

REVENUES BY BUSINESS UNIT

(in millions of Euro)	03.31.2018		03.31.2017 (*)		Change	
	Amount	%	Amount	%	Amount	%
Suspensions	157.8	37.5	153.9	35.6	3.9	2.5
Filtration	139.4	33.1	144.7	33.4	(5.3)	(3.7)
Air&Cooling	124.8	29.6	135.5	31.3	(10.7)	(7.9)
Intercompany eliminations	(0.9)	(0.2)	(1.2)	(0.3)	0.3	(5.3)
TOTAL	421.1	100.0	432.9	100.0	(11.8)	(2.7)

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

Suspensions posted growth of 2.5% (+7.2% at constant exchange rates). Filtration declined by 3.7% (+3.3% at constant exchange rates) while Air & Cooling sales declined by 7.9% (-3.1% at constant exchange rates).

REVENUE BY GEOGRAPHICAL AREA

The breakdown of revenues by business area is as follows:

(in millions of Euro)	03.31.2018		03.31.2017 (*)		Change	
	Amount	%	Amount	%	Amount	%
Europe	268.4	63.7	269.0	62.1	(0.6)	(0.2)
South America	44.4	10.5	49.0	11.3	(4.6)	(9.3)
North America	71.8	17.0	80.2	18.5	(8.4)	(10.5)
Asia	39.5	9.4	39.4	9.1	0.1	0.3
Intercompany eliminations	(3.0)	(0.6)	(4.7)	(1.0)	1.7	35.9
TOTAL	421.1	100.0	432.9	100.0	(11.8)	(2.7)

(*) Certain values as 2017 period were redetermined after the application of the amendment to IFRS 15 - "Revenue from contracts with customers"

In Europe revenues were substantially stable (-0.2%) while declined 10.5% in North America and 9.3% in South America but both the areas grew at constant exchange (+0.4% and +16.3% respectively). In Asia sales grew 0.3% (8.5% at constant exchange rates).

EMPLOYEES

	03.31.2018	12.31.2017	03.31.2017
Managers	109	115	111
Clerical staff	1,914	1,908	1,861
Blue collar workers	4,949	4,924	4,843
TOTAL	6,972	6,947	6,815

The Sogefi Group had 6,972 employees at March 31, 2018 compared to 6,947 at December 31, 2017.

Milan, April 23, 2018

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, 2018

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 23, 2018

SOGEFI S.p.A.
(Yann Albrand)