CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in thousands of Euro)

ASSETS	*Note*	12.31.2015	12.31.2014
CURRENT ASSETS			
Cash and cash equivalents	*5*	121,892	124,033
Other financial assets	*6*	6,335	9,490
Working capital			
Inventories	*7*	159,694	144,142
Trade receivables	*8*	143,489	148,083
Other receivables	*8*	7,915	6,884
Tax receivables	*8*	26,753	22,564
Other assets	*8*	3,974	3,599
TOTAL WORKING CAPITAL		*341,825*	*325,272*
TOTAL CURRENT ASSETS		470,052	458,795
NON-CURRENT ASSETS			
FIXED ASSETS			
Land	*9*	14,299	14,286
Property, plant and equipment	*9*	232,610	224,427
Other tangible fixed assets	*9*	5,343	5,348
Of which: leases		*6,832*	*5,148*
Intangible assets	*10*	284,050	282,996
TOTAL FIXED ASSETS		536,302	527,057
OTHER NON-CURRENT ASSETS			
Investments in joint ventures	*11*	-	-
Other financial assets available for sale	*12*	439	439
Non-current trade receivables	*13*	4	4
Financial receivables	*13*	13,156	157
Other receivables	*13*	34,666	34,626
Deferred tax assets	*14-20*	65,301	71,126
TOTAL OTHER NON-CURRENT ASSETS		113,566	106,352
TOTAL NON-CURRENT ASSETS		649,868	633,409
NON-CURRENT ASSETS HELD FOR SALE	*15*	-	-
TOTAL ASSETS		1,119,920	1,092,204

LIABILITIES	Note	12.31.2015	12.31.2014
CURRENT LIABILITIES			
Bank overdrafts and short-term loans	*16*	17,843	13,426
Current portion of medium/long-term financial debts and other loans	*16*	74,445	64,508
Of which: leases		*1,252*	*914*
TOTAL SHORT-TERM FINANCIAL DEBTS		92,288	77,934
Other short-term liabilities for derivative financial instruments	*16*	325	350
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		92,613	78,284
Trade and other payables	*17*	325,421	309,808
Tax payables	*17*	6,071	5,323
Other current liabilities	*18*	9,686	8,096
TOTAL CURRENT LIABILITIES		433,791	401,511
NON-CURRENT LIABILITIES			
MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS			
Financial debts to bank	*16*	141,080	131,617
Other medium/long-term financial debts	*16*	218,417	203,648
Of which: leases		*8,135*	*6,481*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS		359,497	335,265
Other medium/long-term financial liabilities for derivative financial instruments	*16*	11,562	24,464
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS		371,059	359,729
OTHER LONG-TERM LIABILITIES			
Long-term provisions	*19*	79,215	104,326
Other payables	*19*	9,195	6,988
Deferred tax liabilities	*20*	36,264	38,864
TOTAL OTHER LONG-TERM LIABILITIES		124,674	150,178
TOTAL NON-CURRENT LIABILITIES		495,733	509,907
SHAREHOLDERS' EQUITY			
Share capital	*21*	61,681	61,631
Reserves and retained earnings (accumulated losses)	*21*	108,042	95,948
Group net result for the year	*21*	1,120	3,639
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY		170,843	161,218
Non-controlling interests	*21*	19,553	19,568
TOTAL SHAREHOLDERS' EQUITY		190,396	180,786
TOTAL LIABILITIES AND EQUITY		1,119,920	1,092,204

CONSOLIDATED INCOME STATEMENT
(in thousands of Euro)

	Note	2015		2014	
		Amount	*%*	*Amount*	*%*
Sales revenues	*23*	1,499,050	100.0	1,349,391	100.0
Variable cost of sales	*24*	1,079,129	72.0	960,019	71.1
CONTRIBUTION MARGIN		419,921	28.0	389,372	28.9
Manufacturing and R&D overheads	*25*	146,045	9.7	128,794	9.5
Depreciation and amortization	*26*	64,371	4.3	58,003	4.3
Distribution and sales fixed expenses	*27*	45,198	3.0	41,833	3.1
Administrative and general expenses	*28*	72,284	4.8	70,955	5.3
Restructuring costs	*30*	6,915	0.5	16,195	1.2
Losses (gains) on disposal	*31*	(1,597)	(0.1)	(66)	-
Exchange losses (gains)	*32*	3,590	0.2	618	-
Other non-operating expenses (income)	*33*	32,373	2.2	24,769	1.9
- of which non-recurring		*16,142*		*10,333*	
EBIT		50,742	3.4	48,271	3.6
Financial expenses (income), net	*34*	32,778	2.2	26,818	2.0
- of which fair value of the embedded derivative (convertible bond)		*(1,450)*		*(13,960)*	
- of which other net financial expenses (income)		*34,228*		*40,778*	
Losses (gains) from equity investments	35	-	-	-	-
RESULT BEFORE TAXES AND NON-CONTROLLING INTERESTS		17,964	1.2	21,453	1.6
Income taxes	*36*	12,913	0.9	13,058	1.0
INTERESTS		5,051	0.3	8,395	0.6
Loss (income) attributable to non-controlling interests	*21*	(3,931)	(0.2)	(4,756)	(0.3)
GROUP NET RESULT		1,120	0.1	3,639	0.3
Earnings per share (EPS) (Euro):	*38*				
Basic		0.010		0.032	
Diluted		0.008		0.027	

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

	Note	*2015*	*2014*
Net result before non-controlling interests		5,051	8,395
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
- Actuarial gain (loss)	*21*	7,527	(21,698)
- Tax on items that will not be reclassified to profit or loss	*21*	(1,852)	(1,170)
Total items that will not be reclassified to profit or loss		*5,675*	*(22,868)*
Items that may be reclassified to profit or loss			
- Profit (loss) booked to cash flow hedging reserve	*21*	4,831	190
- Tax on items that may be reclassified to profit or loss	*21*	(1,731)	5,316
- Profit (loss) booked to translation reserve	*21*	(9,834)	6,837
Total items that may be reclassified to profit or loss		*(6,734)*	*12,343*
Other Comprehensive Income		*(1,059)*	*(10,525)*
Total comprehensive result for the period		3,992	(2,130)
Attributable to:			
- Shareholders of the Holding Company		(148)	(7,603)
- Non-controlling interests		4,140	5,473

CONSOLIDATED CASH FLOW STATEMENT
(in thousands of Euro)

	2015	2014
Cash flows from operating activities		
Net result	1,120	3,639
Adjustments:		
- non-controlling interests	3,931	4,756
- depreciation, amortization and writedowns	64,751	61,184
- expenses recognised for share-based incentive plans	642	852
- expenses recognised for phantom stock option plans	8	1,000
- payments of phantom stock options	-	(2,299)
- exchange rate differences on private placement	10,910	11,333
- (not paid) interest expense on bonds	3,150	1,907
- provision in income statement of fair value derivates in cash flow hedge	(10,510)	(6,564)
- change in fair value of the call option (Embedded derivative)	(1,450)	(13,960)
- losses/(gains) on disposal of fixed assets and non-current assets held for sale	(1,597)	(66)
- losses/(gains) on sale of equity investments in associates and joint ventures	-	-
- provisions for risks, restructuring and deferred taxes	(16,350)	1,235
- post-retirement and other employee benefits	(717)	(2,786)
- change in net working capital	(4,199)	20,370
- other medium/long-term assets/liabilities	1,896	(5,693)
CASH FLOWS FROM OPERATING ACTIVITIES	51,585	74,908
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(51,266)	(42,278)
Purchase of intangible assets	(30,377)	(42,129)
Net change in other securities	3,005	493
Sale of subsidiaries (net of cash and cash equivalents) and associates	-	-
Sale of property, plant and equipment	1,857	3,880
Sale of intangible assets	768	7
NET CASH FLOWS FROM INVESTING ACTIVITIES	(76,013)	(80,027)
FINANCING ACTIVITIES		
Capital increase in subsidiaries from third parties	82	-
Net change in capital	145	2,523
Net purchase of treasury shares	-	-
Dividends paid to Holding Company shareholders and non-controlling interests	(4,341)	(2,597)
New (repayment of) bonds	-	98,235
New (repayment of) long-term loans	17,933	(102,623)
New (repayment of) finance leases	1,239	(1,115)
NET CASH FLOWS FROM FINANCING ACTIVITIES	15,058	(5,577)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,370)	(10,696)
Balance at the beginning of the period	110,606	118,459
(Decrease) increase in cash and cash equivalents	(9,370)	(10,696)
Exchange differences	2,813	2,844
BALANCE AT THE END OF THE PERIOD	104,049	110,607

ADDITIONAL INFORMATION OF CASH FLOW STATEMENT		
Taxes paid	(14,304)	(12,703)
Financial expenses paid	(34,142)	(33,536)
Financial income collected	1,806	1,026

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” included bann overdrafts repayable on demand). 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 interests	Total
	Share capital	Reserves and retained earnings (accumulated losses)	Net result for the period	Total		
Balance at December 31, 2013	*60,924*	*86,439*	*21,124*	*168,487*	*20,426*	*188,913*
Paid share capital increase	707	1,816	-	2,523	-	2,523
Allocation of 2013 net profit:						
Legal reserve	-	20	(20)	-	-	-
Dividends	-	-	-	-	(2,597)	(2,597)
Retained earnings	-	21,104	(21,104)	-	-	-
Recognition of share-based incentive plans	-	852	-	852	-	852
Other changes	-	(3,041)	-	(3,041)	(3,734)	(6,775)
Comprehensive result for the period						
Fair value measurement of cash flow hedging instruments	-	190	-	190	-	190
Actuarial gain (losses)	-	(21,694)	-	(21,694)	(4)	(21,698)
Tax on items booked in Other Comprehensive Income	-	4,146	-	4,146	-	4,146
Currency translation differences	-	6,116	-	6,116	721	6,837
Net result for the period	-	-	3,639	3,639	4,756	8,395
Total comprehensive result for the period	-	*(11,242)*	*3,639*	*(7,603)*	*5,473*	*(2,130)*
Balance at December 31, 2014	*61,631*	*95,948*	*3,639*	*161,218*	*19,568*	*180,786*
Paid share capital increase	50	95	-	145	82	227
Allocation of 2014 net profit:						
Legal reserve	-	300	(300)	-	-	-
Dividends	-	-	-	-	(4,341)	(4,341)
Retained earnings	-	3,339	(3,339)	-	-	-
Recognition of share-based incentive plans	-	642	-	642	-	642
Fair value embedded derivative (convertible bond)	-	9,090	-	9,090	-	9,090
Other changes	-	(104)	-	(104)	104	-
Comprehensive result for the period						
Fair value measurement of cash flow hedging instruments	-	4,831	-	4,831	-	4,831
Actuarial gain (losses)	-	7,527	-	7,527	-	7,527
Tax on items booked in Other Comprehensive Income	-	(3,583)	-	(3,583)	-	(3,583)
Currency translation differences	-	(10,043)	-	(10,043)	209	(9,834)
Net result for the period	-	-	1,120	1,120	3,931	5,051
Total comprehensive result for the period	-	*(1,268)*	*1,120*	*(148)*	*4,140*	*3,992*
Balance at December 31, 2015	*61,681*	*108,042*	*1,120*	*170,843*	*19,553*	*190,396*

EXPLANATORY AND SUPPLEMENTARY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS: CONTENTS

A) GENERAL ASPECTS

SOGEFI is an Italian Group that is *market leader* in the field of components for motor vehicles, specializing in engine and cabin filtration systems, air intake and engine cooling systems, and suspension components.
SOGEFI is present in 3 continents and 18 countries, with 53 locations, of which 42 are production sites. It is a multinational group and a *partner* of the world's largest motor vehicle manufacturers.

The Holding Company, Sogefi S.p.A., has its registered offices in Via Ulisse Barbieri 2, Mantova and its operating offices in Via Flavio Gioia 8, Milano and in Avenue du 8 Mai 1945, n.7 in Guyancourt.
The Sogefi stock has been listed on the Milano Stock Exchange, organised and managed by Borsa Italiana S.p.A. since 1986 and has been traded on the STAR segment since January 2004.
The Holding Company, Sogefi S.p.A., is subject to the policy guidance and coordination of its parent company CIR – Compagnie Industriali Riunite S.p.A..

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with Consob resolution 11971/1999 and subsequent amendments, in particular those introduced by resolutions no. 14990 of April 14, 2005 and no. 15519 of July 27, 2006, and include the consolidated accounting schedules and explanatory and supplementary notes of the Group, prepared according to the IFRS international accounting standards issued by the IASB (International Accounting Standards Board) and endorsed by the European Union. IFRS means all the "International Financial Reporting Standards" (IFRS), all the "International Accounting Standards" (IAS) and all the interpretations of the "International Financial Reporting Interpretations Committee" (IFRS IC, formerly IFRIC), previously named the "Standing Interpretations Committee" (SIC).
It is specifically reported that the IFRS have been applied in a consistent manner to all the periods presented in this document.

The financial statements have been prepared on the basis of the conventional historical cost principle, except for the measurement of certain financial assets and liabilities, including derivatives instruments, where the application of the *fair value* principle is mandatory.

The financial statements used for consolidation purposes are those prepared by the Boards of Directors for approval by the shareholders of the individual companies. Said financial statements have been reclassified and adjusted to comply with International Financial Reporting Standards (IAS/IFRS), and Group accounting policies.

The Consolidated Financial Statements as of December 31, 2015 were approved by the Board of Directors of the Holding Company Sogefi S.p.A. on February 29, 2016.

1.1 Format of the consolidated financial statements

As regards to the format of the consolidated financial statements, the Company has opted to present the following types of accounting statements:

Consolidated Statement of Financial Position
The Consolidated Statement of Financial Position is presented in two sections, showing assets on one side and liabilities and equity on the other.
Assets and liabilities are in turn shown in the consolidated financial statements on the basis of their classification as current or non-current.

An asset/liability is classified as current when it satisfies one of the following criteria:

- it is expected to be realised/settled or it is expected to be sold or consumed in the normal cycle of operations, or
- it is held primarily for the purpose of trading, or
- it is expected to be realised/settled within twelve months after the reporting period.

If none of the above conditions are met, the assets/liabilities are classified as non-current.

Finally, liabilities are classified as current when the entity does not have unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Consolidated Income Statement
Costs shown in the Consolidated Income Statement are aggregated by function, while also making a distinction between fixed and variable costs.

The Income Statement also provides the following intermediate aggregates 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;
- EBIT (earnings before interest and tax);
- Result before taxes and non-controlling interests;
- Net result before non-controlling interests;
- Group net result.

Consolidated Statement of Other Comprehensive Income
The Consolidated Statement of Other Comprehensive Income includes all the changes occurring in Other comprehensive income of the year, generated by transactions other than those conducted with shareholders and in compliance with specific IAS/IFRS accounting principles. The Group has chosen to present these changes in a separate table to the Consolidated Income Statement.
The changes in Other comprehensive income are shown before the related tax effect with the aggregate amount of the income taxes on said variations being recognised in a single item. Those components that may or may not be reclassified to Consolidated Income Statement at a later time are listed separately in the table.

Consolidated Cash Flow Statement
A Consolidated Cash Flow Statement split by area of formation of the various types of cash flow as indicated in international accounting standards is included.
The Consolidated Cash Flow Statement has been prepared using the indirect method.
Please note that in this cash flow statement, the change in working capital may not coincide with the difference between the opening and closing statement of financial position figures because of exchange differences: in fact, cash flows generated are converted using the average exchange rate for the year, while the difference between the opening and closing consolidated statement of financial position figures in Euro may be influenced by changes in exchange rates at the beginning and end of the year, which have little to do with the generation or absorption of cash flow within working capital. The exchange differences generated by opening and closing statements of financial position are booked to "Exchange differences".

Consolidated Statement of Changes in Equity
A Consolidated Statement of Changes in Equity is included as required by international accounting standards, showing separately the net result for the period and any change that was not charged through the Income Statement, but directly to the consolidated Other comprehensive income on the basis of specific IAS/IFRS, as well as transactions with shareholders in their role as shareholders.

1.2 Content of the consolidated financial statements

The Consolidated Financial Statements as of December 31, 2015 include the Holding Company Sogefi S.p.A. and the directly or indirectly 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 financial statements (prepared on a line-by-line basis) include the financial statements of Sogefi S.p.A., the Holding Company, and of all the Italian and foreign companies under its direct or indirect control, which is normally identified as control over the majority of the voting rights.

During the year the following changes occurred in the scope of consolidation:
- subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in subsidiary Allevard IAI Suspensions Pvt Ltd. from 73.91% to 74.23% through a share capital increase not subscribed by non-controlling interest shareholders that led to an amount of Euro 7 thousand being reclassified between non-controlling interests and Group's shareholders' equity;
- subsidiary Allevard Rejna Autosuspensions S.A. increased its percentage of ownership in subsidiary S. ARA Composite S.A.S. from 94.12% to 95% through a share capital increase not subscribed by non-controlling interest shareholders that led to an amount of Euro 97 thousand being reclassified between non-controlling interests and Group's shareholders' equity;

Furthermore, in the year 2015 the merger process between Indian companies Sogefi M.N.R. Filtration India Pvt Ltd and Systèmes Moteurs Pvt Ltd was completed (said process did not have any impact on the Group's consolidated financial statements).
Please note that the non-controlling shareholders of subsidiary Sogefi-M.N.R. Engine Systems India Pvt Ltd – the post-merger company – hold a put option on 30% of the share capital (they previously held a put option on 40% of the share capital of subsidiary Sogefi M.N.R. Filtration India Pvt Ltd). As of December 31, 2015, the fair value of the liability associated with the exercise price of such put option amounted to Euro 6,882 thousand (Euro 6,765 thousand as of December 31, 2014)

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 December 31, 2015 and December 31, 2014 was as follows:

Business Unit	*Region*	*Wholly-owned subsidiaries*	
		December 31, 2015	December 31, 2014
Air&Cooling	Canada	1	1
	France	1	1
	Messico (*)	1	1
	Romania	1	1
	Cina (**)	2	2
	Lussemburgo	1	1
	USA	1	1
	India	-	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
Suspensions	France	2	2
	Great Britain	2	2
	Germany	2	2
	The Netherlands	1	1
	Brazil	1	1
	Argentina	1	1
Sofegi Purchasing S.A.S.	France	1	1
TOTAL		27	28

(*) This subsidiary works also for Suspensions Business Unit.
(**) These subsidiaries work also for Filtration and Suspensions Business Units.
(***) This subsidiary works also for Suspensions Business Unit.

Business Unit	*Region*	*Non-wholly-owned subsidiaries*	
		December 31, 2015	December 31, 2014
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.

As mentioned above, in the year 2015 the merger process between Indian companies Sogefi M.N.R. Filtration India Pvt Ltd and Systèmes Moteurs Pvt Ltd was completed.

2. CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The main accounting principles and standards applied in preparation of the consolidated financial statements and of the Group aggregate financial disclosures are set forth below.

These Consolidated Financial Statements have been drawn on the going concern assumption, as the Directors have verified the inexistence of financial, performance or other indicators that could give rise to doubts as to the Group's ability to meet its obligations in the foreseeable future. The risks and uncertainties relating to the business are described in the dedicated sections in the Directors' Report. A description of how the Group manages financial risks, including liquidity and capital risk, is provided in note 39.

2.1 Consolidation principles

The financial statements as of December 31, 2015 of the companies included in the scope of consolidation, prepared in accordance with Group accounting policies with reference to IFRS, have been used for consolidation purposes.
The scope of consolidation includes subsidiaries, joint ventures and associates.

All the companies over which the Group has the direct or indirect power to determine the relevant activities (i.e., the financial and operating policies) are considered subsidiaries. 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.
The assets, liabilities, costs and revenues of the individual consolidated companies are fully consolidated on a line-by-line basis, regardless of the percentage owned, while the carrying value of consolidated investments held by the Holding Company and other consolidated companies is eliminated against the related share of equity.

All intercompany balances and transactions, including unrealised profits deriving from transactions between consolidated companies, are eliminated. Unrealised losses are eliminated, except when a loss represents an impairment indicator to be recognised in the Income Statement.

The financial statements of the subsidiaries are drawn up using the currency of the primary economic environment in which they operate ("functional currency"). The consolidated financial statements are presented in Euro, the functional currency of the Holding Company and hence the currency of presentation of the consolidated financial statements of the Sogefi Group.
The procedures for translation of the financial statements expressed in foreign currency other than the Euro are the following:

- the items of the Consolidated Statement of Financial Position are translated into Euro at the year-end exchange rates;
- the Income Statement items are translated into Euro using the year's average exchange rates;

- differences arising on translation of opening equity at year-end exchange rates are booked to the translation reserve, together with any difference between the net result of income statement and statement of financial position;
- whenever a subsidiary with a different functional currency from the Euro is disposed of, any exchange differences included in Other comprehensive income are charged to the Income Statement;
- dividends paid by companies that use functional currencies other than the Euro are converted at the average exchange rate of the previous year for the company that pays the dividend and at the current exchange rate for the company that receives the dividend; exchange differences between the two amounts are booked to the translation reserve.

The following exchange rates have been used for translation purposes:

	2015		2014	
	Average	*12.31*	*Average*	*12.31*
US dollar	1.1091	1.0887	1.3267	1.2141
Pound sterling	0.7257	0.7340	0.8061	0.7789
Brazilian real	3.6390	4.3116	3.1198	3.2207
Argentine peso	10.2114	14.0964	10.7596	10.2754
Chinese renminbi	6.9691	7.0607	8.1733	7.5358
Indian rupee	71.1238	72.0461	80.9717	76.7460
New romanian Leu	4.4450	4.5241	4.4439	4.4829
Canadian dollar	1.4158	1.5116	1.4657	1.4063
Mexican peso	17.5623	18.9143	17.6523	17.8667
Hong Kong dollar	8.5977	8.4374	10.2891	9.4171

A joint venture is an entity for which strategic financial and operating decisions concerning the relevant activities of the company are made with the unanimous approval of the controlling parties.
An associate is an entity in which the Group is able to exert a significant influence, but without being able to control its relevant activities.
Investments in joint ventures and associates are consolidated applying the equity method, which means that the results of operations of associates and any changes in Other comprehensive income of the joint ventures and associates are reflected in the consolidated Income Statement and in Consolidated Statement of Other Comprehensive Income. If the carrying value exceeds the recoverable amount, the carrying value of the investment in the joint venture or in the associate is adjusted by booking the related loss to the Income Statement.
Company AFICO FILTERS S.A.E. (22.62% stake) was not classified as associate due to the lack of Group's members in the management bodies of the company (which means the Group does not exert significant influence on the company).

2.2 Business combinations

Business combinations are recognised under the acquisition method. According to this method, the consideration transferred to a business combination is measured at fair value calculated as the aggregate of the acquisition-date fair value of the assets transferred and liabilities assumed by the Company and of the equity instruments issued in exchange for the control of the acquired entity.
On the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition-date fair value; the following items represent exception to the above and are valued according to their reference principle:

- deferred tax assets and liabilities;
- assets and liabilities relating to employee benefits;
- liabilities or equity instruments relating to share-based payments of the acquired entity or share-based payments relating to the Group, issued as a replacement of contracts of the acquired entity;
- assets held for sale and discontinued assets and liabilities.

Goodwill is measured as the surplus between the sum of the consideration transferred to the business combination, the value of non-controlling interests and the fair value of previously-held equity interest in the acquiree with respect to the fair value of the net assets transferred and liabilities assumed as at the acquisition-date. If the fair value of the net assets transferred and liabilities assumed as at the acquisition-date exceeds the sum of the consideration transferred, the value of non-controlling interests and the fair value of the previously-held equity interest in the acquiree, said surplus is immediately booked to the Income Statement as gain resulting from said transaction.
The share of non-controlling interests as at the acquisition-date may be measured at fair value or as a proportion of net assets value in the acquiree. The measurement method adopted is decided on a transaction-by-transaction basis.

2.3 Accounting policies

The following accounting policies have been applied in the financial statements as of December 31, 2015.

Cash and cash equivalents

Cash and cash equivalents are those held to meet short-term cash needs, rather than for investment or other purposes. For an investment to be considered as cash or cash equivalent, it must be able to be readily converted into a known amount of cash and must be subject to an insignificant risk of change in value.

Inventories

Inventories are stated at the lower of purchase or manufacturing cost, determined on a weighted average cost basis, and realisable value based on market trends, net of variable selling costs.
Manufacturing cost includes raw materials and all direct or indirect production-related expenses. Financial expenses are excluded. Obsolete and slow-moving inventories are written down to their utilisable or realisable value.

Receivables included in current assets

Receivables are initially recognised at fair value of the consideration to be received, which usually corresponds to the nominal value shown on the invoice, adjusted (if necessary) to their estimated realisable value by making provision for doubtful accounts. Subsequently, receivables are measured at amortised cost, which generally corresponds to their nominal value.
Receivables assigned through without-recourse *factoring* transactions after which the related risks and benefits are definitively transferred to the assignee are derecognised from the statement of financial position at the time of transfer. Receivables assigned through recourse *factoring* transactions are not derecognised.

Tangible fixed assets

Tangible fixed assets mainly relate to industrial sites. Assets are shown at historical cost, net of accumulated depreciation and accumulated impairment losses.
Cost includes related charges, together with the portion of direct and indirect expenses reasonably attributable to individual assets.

Tangible fixed assets are depreciated each month on a straight-line basis using rates that reflect the technical and economic remaining lives of the related assets.

The depreciable value is the cost of an asset less its residual value, where the residual value of an asset is the estimated value that the entity could receive currently from its disposal, if the asset was already in the condition expected at the end of its useful life net of estimated disposal costs.

Depreciation is calculated from the month that the asset becomes available for use, or when it is potentially able to provide the economic benefits expected of it.

The annual average depriciation rates applied are as follows:

	%
Land	n.a.
Industrial buildings and light constructions	2.5-12.5
Plant and machinery	7-14
Industrial and commercial equipment	10-25
Other assets	10-33.3
Assets under construction	n.a.

Land, assets under construction and payments on account are not depreciated.

Ordinary maintenance costs are charged to the Income Statement.
Maintenance costs that increase the value, functions or useful life of fixed assets are recorded directly as the increase in the value of the assets to which they refer and depreciated over their residual useful lives.

Gains or losses on the disposal of assets are calculated as the difference between the sales proceeds and the net book value of the asset and are charged to the Income Statement for the period.

Grants are shown in the Statement of Financial Position as an adjustment of the book value of the asset concerned. Grants are then recognised as income over the useful life of the asset by effectively reducing the depreciation charge each year.

Assets under lease
There are two types of leases: finance leases and operating leases.
A lease is considered a finance lease when it transfers substantially all risks and benefits incidental to ownership of the asset to the lessee.
As envisaged in IAS 17, a lease is considered a finance lease when the following elements are present, either individually or in combination:
- the contract transfers ownership of the asset to the lessee at the end of the lease term;
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that it is reasonably certain, at the inception of the lease, that it will be exercised;
- the lease term is for the major part of the useful life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments is equal to at least the fair value of the asset being leased;
- the assets being leased are of such a specialised nature that only the lessee is able to use them without making major modifications.

Assets available to Group companies under contracts that fall into the category of finance leases are accounted for as tangible fixed assets at their fair value at the date of purchase or, if lower, at the present value of the minimum payments due under the lease; the corresponding liabilities to the lessor are shown in the Statement of Financial Position as financial debts. The assets are depreciated over their estimated useful lives.
Lease payments are split between the principal portion, which is booked as a reduction of financial debts, and interest. Financial expenses are charged directly to the Income Statement for the period.
Payments under operating lease contracts, on the other hand, are charged to the Income Statement on a straight-line basis over the life of the contract.

Intangible assets

An intangible asset is only recognised if it is identifiable and verifiable, it is probable that it will generate economic benefits in the future and its cost can be measured reliably.
Intangible assets with a finite life are valued at purchase or production cost, net of amortisation and accumulated impairment losses.

The annual average amortisation rates applied are as follows:

	%
Development costs	20-33.3
Industrial patents and intellectual property rights, concessions, licences, trademarks	10-33.3
Customer relation	5
Trade name	5
Software	20-50
Other	20-33.3
Goodwill	n.a.
Assets under construction	n.a.

Amortisation is based on the asset's estimated useful life and begins when it is available for use.

Research and development expenses

Research expenses are charged to the income statement as incurred in accordance with IAS 38.

Development expenses relating to specific projects are capitalised when their future benefit is considered reasonably certain by virtue of a customer's commitment; they are then amortised over the entire period of future profits expected to be earned by the project in question.

Costs incurred in developing the range of aftermarket products are capitalised from the time a certain product is recognised to be missing from the product portfolio. Its future benefit is considered reasonably certain because the new product will be added to the product catalogue and made available to customers.

The capitalised value of the various projects is reviewed annually - or more frequently if there are particular reasons for doing so - analysing its recoverable amount to assess if there have been any impairment losses.

Trademarks and licences

Trademarks and licences are valued at cost, less amortisation and accumulated impairment losses. The cost is amortised over the shorter of the contract term and the finite useful life of the asset.

Customer Relations

Customer relations represent the value of the Systèmes Moteurs Group's customer portfolio at the acquisition date as determined during the Purchase Price Allocation process.

Brand name

Brand name represents the value of the "Systèmes Moteurs" brand name at the acquisition date as determined during the Purchase Price Allocation process.

Software

The costs of software licences, including related charges, are capitalised and shown in the financial statements net of amortisation and any accumulated impairment losses.

It should be pointed out that a multi-year project has been launched in 2011 to implement a new integrated IT system across the Group. Relating costs are capitalised by Holding Company Sogefi S.p.A., that will licence the intellectual property rights on the IT system for use by the subsidiaries involved in the implementation process receiving the payment of royalty fees. The useful life of the fixed asset is estimated at 10 years and amortisation begins when implementation at each individual company is completed.

Goodwill

Goodwill resulting from business combinations is initially recognised at cost as at the acquisition-date, as detailed in the paragraph above entitled "Business combinations". Goodwill is not amortised but is tested annually for impairment, or more frequently if specific events or changed circumstances indicate a potential loss in value. Unlike other intangible assets, reversal of an impairment loss is not allowed for goodwill.

For impairment test purposes, goodwill was allocated to each of the Cash Generating Units (CGU) due to benefit from the acquisition.

The Sogefi Group currently encompasses five CGUs: Filtration (previously named "Engine Systems – Fluid Filters"), Air&Cooling (previously named "Engine Systems – Air Intake and Cooling"), Car Suspension, Industrial Vehicles Suspension and Precision Springs.

The goodwill currently on the books only concerns the Filtration, Air&Cooling CGUs and the Car Suspension CGU.

Intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are not amortised, but are tested annually for impairment, or more frequently if there is an indication that the asset may have suffered a loss in value. As of December 31, 2015, the Group has no intangible assets with an indefinite useful life.

Impairment losses of tangible and intangible fixed assets

If there are indications of possible losses in value, tangible and intangible fixed assets are subjected to impairment test, estimating the asset's recoverable amount and comparing it with its net book value. If the recoverable amount is less than the book value, the latter is reduced accordingly. This reduction constitutes an impairment loss, which is booked to the income statement.

For goodwill and any other intangible fixed assets with indefinite useful life, an impairment test is carried out at least once a year.

With the exception of goodwill, if a previous writedown is no longer justified, a new recoverable amount is estimated, providing it is not higher than what the carrying value would have been if the writedown had never been made. This reversal is also booked to the Income Statement.

Equity investments in other companies and other securities

In accordance with IAS 39, equity investments in entities other than subsidiaries, joint ventures and associates are classified as financial assets available for sale which are measured at fair value, except in situations where the market price or fair value cannot be reliably determined. In this case the cost method is used.

Gains and losses deriving from fair value adjustments are booked to a specific item under Other comprehensive income. In the case of objective evidence that an asset

suffered an impairment loss or it is sold, the gains and losses previously recognised under Other Comprehensive Income are reclassified to the Income Statement.
For a more complete discussion of the principles regarding financial assets, reference should be made to the note specifically prepared on this matter (paragraph 3 "Financial assets").

Non-current assets held for sale

Under IFRS 5 "Non-current assets held for sale and discontinued operations", providing the relevant requirements are met, non-current assets whose book value will be recovered principally by selling them rather than by using them on a continuous basis, have to be classified as being held for sale and valued at the lower of book value or fair value net of any selling costs. From the date they are classified as non-current assets held for sale, their depreciation is suspended.

Loans

Loans are initially recognised at cost, represented by the fair value received, net of related loan origination charges.
After initial recognition, loans are measured at amortised cost by applying the effective interest rate method.
The amortised cost is calculated taking account of issuing costs and any discount or premium envisaged at the time of settlement.

Derivatives

A derivative is understood as being any contract of a financial nature with the following characteristics:

1. its value changes in relation to changes in an interest rate, the price of a financial instrument, the price of a commodity, the exchange rate of a foreign currency, a price or interest rate index, a credit rating or any other pre-established underlying variable;
2. it does not require an initial net investment or, if required, this is less than what would be requested for other types of contract likely to provide a similar reaction to changes in market factors;
3. it will be settled at some future date.

For accounting purposes, a derivative's treatment depends on whether it is speculative in nature or whether it can be considered an hedging instrument.
All derivatives are initially recognised in the Statement of Financial Position at cost as this represents their fair value. Subsequently, all derivatives are measured at fair value.

Any changes in the fair value of derivatives that are not designated for hedge accounting are booked to the Income Statement (under "Financial expenses (income), net").

Derivatives that can be booked under the hedge accounting are classified as:

- fair value hedges if they are meant to cover the risk of changes in the market value of the underlying assets or liabilities;
- cash flow hedges if they are taken out to hedge the risk of fluctuations in the cash flows deriving from an existing asset or liability, or from a future transaction that is highly probable.

For derivatives classified as fair value hedges, the gains and losses that arise on determining their fair value and the gains and losses that derive from adjusting the underlying hedged items to their fair value are booked to the Income Statement.

For those classified as cash flow hedges, used for example, to hedge medium/long-term loans at floating rates, gains and losses that arise from their valuation at fair value are booked directly to Other comprehensive income for the part that effectively hedges the risk for which they were taken out. The portion booked to Other comprehensive income will be reclassified to the Income Statement (under the item "Financial expenses (income), net" in the period) when the hedged assets and liabilities impact the costs and revenues of the period.

When an instrument is determined to be an ineffective hedge, the hedging relationship is discontinued and the following amounts are booked to Income Statement (under the item "Financial expenses (income), net"):

- the change in fair value of the derivative since the date the hedge last proved effective is immediately recognised in the Income Statement;
- the reserve previously booked to Other Comprehensive Income is recognised in the Income Statement over the same period of time as the differentials relating to the underlying item hedged previously (if the hedged item is still booked to the Consolidated Statement of Financial Position of the Group).

Note that the Group has adopted a specific procedure for managing financial instruments as part of an overall risk management policy.

Trade and other payables

Payables are initially recognised at fair value of the consideration to be paid and subsequently at amortised cost, which generally corresponds to their nominal value.

Provisions for risks and charges

Provisions for risks and charges are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
On the other hand, no provision is made in the case of risks for which there is only a possibility that a liability may arise. In this case, the risk is disclosed in the notes on commitments and risks without making any provision.
Provisions relating to corporate reorganizations are only set aside once they have been approved and raised a valid expectation to the parties involved.

Post-retirement and similar employee benefits

Group employees have defined-benefit and/or defined-contribution pension plans, depending on the conditions and local practices of the countries in which the group operates.

The Group's responsibility is to finance the pension funds for the defined-benefit plans (including the employment termination indemnities currently applicable in Italy) and the annual cost recognised in the Income Statement are calculated on the basis of actuarial valuations that use the projected unit credit method.

The liability relating to benefits to be recognised on termination of employment recorded in the Consolidated Statement of Financial Position represents the present value of the defined-benefit obligation, less the fair value of the plan assets. Any net assets determined are recognised at the lowest of their value and the present value of available repayments and reductions of future contribution to the plan.

Pursuant to the amendment to IAS 19 "Employee Benefits" effective as January 1, 2013, the Group recognises actuarial gains and losses and books them to "Other comprehensive income" immediately, so that the full net amount of the provisions for the defined benefits (net of plan assets) is recognised in the Consolidated Statement of Financial Position. The amendment further requires any changes in the defined benefit provision and plan assets over the previous period to be subdivided into three components: the cost components of work performed during the reporting period must be recognised in the Income Statement as service costs; net interest costs calculated by applying the appropriate discount rate to the opening balance of defined benefit provision net of assets must be booked to Income Statement as net financial expenses and the actuarial gains and losses resulting from the remeasurement of assets and liabilities must be booked to "Other comprehensive income". In addition, the return on assets included in net interest costs must be calculated using the discount rate applicable to liabilities and no longer the expected return on the assets. The difference between actual and expected return on plan assets is booked to "Other comprehensive income".

In the event of an amendment to the plan that changes the benefits relating to past service or in the event of the application of a new plan relating to past service, the costs relating to past service are booked to the Income Statement (under service costs). In the event of an amendment to the plan that significantly reduces the number of employees involved in the plan or that changes the clauses of the plan in such a way that a significant part of future service due to employees will no longer accrue the same benefits or will accrue them but to a lesser extent, the profit or loss relating to said reduction is immediately booked to the Income Statement (under service costs).

All of the costs and income resulting from the measurement of funds for pension plans are booked to the Income Statement by functional area of destination, with the exception of the financial component relating to non-financed defined-benefit plans, which is included in Financial expenses.

The costs relating to defined-contribution plans are booked to the Income Statement when incurred.

Other long-term benefits
Other long-term employee benefits relate to the French subsidiaries and include "Jubilee or other long-service benefits" that are not expected to be paid fully within the twelve months following the end of the reporting period during which the employee has rendered service for those benefits.

The valuation of other long-term benefits usually does not present the same degree of uncertainty as post-employment benefits. This is why IAS 19 requires a simplified method of accounting for such benefits. Unlike the accounting method required for post-employment benefits, this method (which requires actuarial valuation) does not require discounting effects to be taken to Other comprehensive income.

Phantom stock options
With regard to phantom stock option plans, as envisaged by IFRS 2, in the section regarding "Cash-settled share-based payment transactions", the fair value of the plan at the date of the financial statements is remeasured, with any changes in fair value recognised in the Income Statement with a corresponding entry to a provision.

Stock-based incentive plans
With regard to "Stock-based incentive plans" (Stock options and Stock grants), as envisaged by IFRS 2, the Group calculates the fair value of the option at the granting date, booking it to the Income Statement as a cost over the vesting period of the benefit. The *ad hoc* equity reserve in the Consolidated Statement of Financial Position has been increased. This imputed cost is measured by specialists with the help of suitable economic and actuarial models.

Deferred taxation

Deferred taxes are calculated on the taxable/deductible temporary differences between the book value of assets and liabilities and their tax bases, and classified under non-current assets and liabilities.
Deferred tax assets are accounted for only to the extent that it is probable that sufficient taxable profits will be available in the future against which they can be utilised.
The carrying amount of the deferred tax assets shown in the financial statements is subject to an annual review.
Deferred tax assets and liabilities are calculated at the tax rates expected to apply in the period when the differences reverse under the law of the countries in which the Group operates, considering current rates and those enacted or substantially enacted at the end of the reporting period.
Deferred tax liabilities are calculated on taxable temporary differences relating to equity investments in subsidiaries, associates and joint ventures, except where the Company can control the reversal of such temporary differences and it is probable that they will not reverse in the foreseeable future.
Current and deferred taxes are recognised in the income statement, except for those relating to items directly charged or credited to Other comprehensive income or other equity items, in which case tax effect is recognised directly under Other comprehensive income or equity.

Participation in CIR's group tax filing system (applicable to Italian companies)

Each company jointing to the group Italian tax filing system transfers its tax profit or loss to the parent company. The parent company recognises a credit corresponding to the IRES (Italian tax on company income) that companies have to be paid (debit for the transferor company). On the contrary, for companies that booked tax losses, the parent company recognises a debt corresponding to the IRES for the part of loss actually offset at group level (credit for the transferer company).
In connection with the Group tax filing system, those companies that record non-deductible net financial expenses may use the excess tax benefits available for offset of other Group companies (thus making such expenses deductible) for a consideration. Such consideration, in an amount proportionate to the resulting tax benefit and applicable to excess tax benefits arising in Italy only, has been paid to the parent company CIR and is treated as expense for those companies that obtain the excess tax benefit and as revenue for those that transfer it.

Treasury shares

Treasury shares are deducted from equity. The original cost of treasury shares and the profit/loss resulting from their subsequent sales are recognised as changes in equity.

Revenues recognition

Revenues from the sale of products are recognised at the time ownership passes (time of risks and benefits transfer), which is generally upon shipment to the customer. They are shown net of returns, discounts and allowance.
The proceeds from the sale of *tooling* to customers can be recognised as follows:
a) the full amount is recognised at the time risks and benefits of the *tooling* are transferred (if said transfer is deferred, margin is booked to "Other current liabilities");
b) the amount is recognised by means of an increase of the sales price of the products manufactured using the relevant tooling, throughout a variable time frame depending on the number of products sold (in this case the unrealised sales price for the tooling is booked to "Inventory – Contract work in progress and advances").
Revenues from services rendered are recognised at the time the services are provided.

Income Statement Overview

Variable cost of sales
This represents the cost of goods sold. It includes the cost of raw and ancillary materials and goods for resale, as well as variable manufacturing and distribution costs, including the direct labour cost of production.

Manufacturing and R&D overheads
This category includes manufacturing overheads such as indirect labour cost of production, maintenance costs, consumable materials, building rents, and industrial equipment involved in production.

Also included are all R&D overheads, net of any development costs that are capitalised because of their future benefits and excluding amortisation which is booked to a separate item in the Consolidated Income Statement.

Distribution and sales fixed expenses
These are costs that are essentially insensitive to changes in sales volumes, relating to personnel, promotion and advertising, external warehousing, rentals and other sales and distribution activities. This category, therefore, includes all fixed costs identified as being incurred after finished products have been stocked in the warehouse and directly related to their sale and distribution.

Administrative and general expenses
This category includes fixed labour costs, telephone expenses, legal and tax consulting fees, rents and rentals, cleaning, security and other general expenses.

Restructuring costs and other non-operating expenses/income
These are figures that do not relate to the Group's normal business activities or refer to non-recurring activities and are expressly disclosed in the notes if they are of a significant amount.

Operating grants

These are credited to the Consolidated Income Statement when there is a reasonable certainty that the company will meet the conditions for obtaining the grant and that the grants will therefore be received.

Dividends

Dividend income is recorded when the right to receive it arises. This is normally at the time of the shareholders' resolution that approves distribution of the dividends.

Dividends to be distributed are recognised as a payable to shareholders immediately after they have been approved.

Current taxes

Current taxes are booked on the basis of a realistic estimate of taxable income calculated according to current tax legislation in the country concerned, taking account of any exemptions and tax credits that may be due.

Earnings per share (EPS)

Basic EPS is calculated by dividing net result for the period attributable to the ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period, net of treasury shares.

Diluted EPS is obtained by adjusting the weighted average number of shares outstanding to take account of all potential ordinary shares that could have a dilutive effect.

Translation of foreign currency items

Functional currency
Group companies prepare their financial statements in the local currency of the country concerned.
The functional currency of the Parent is the Euro and this is the presentation currency in which the consolidated financial statements are prepared and published.

Accounting for foreign currency transactions
Foreign currency transactions are initially translated at the exchange rate ruling on the transaction date.
At the end of the reporting period, monetary assets and liabilities expressed in foreign currency are retranslated at the period-end exchange rate.
Non-monetary foreign currency items valued at historical cost are translated at the exchange rate ruling on the transaction date.
Non-monetary items carried at fair value are translated at the exchange rate ruling on the date this value was determined.

Critical estimates and assumptions

Various estimates and assumptions regarding the future have to be made when preparing financial statements. They are the best estimates possible at the end of the reporting period. Given their nature, they could lead to a material difference in statement of financial position items in future years. The main items affected by these estimates are as follows:

- goodwill (Euro 126.6 million) – impairment test: for the purpose of determining the value in use of the Cash Generating Units, the Group took into account the trends expected for 2016 as determined based on the budget (approved by the Board of Directors on January 19, 2016 and adjusted to account for the depreciation of the Brazilian Real and the Argentine Peso occurred at the end of 2015) and the forecasts included in the 2017-2019 projection update for the following years (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on February 29, 2016. Projections were prepared by management and approved by the Board of Directors for the sole purpose of impairment testing. Budget and projections were prepared taking into account forecasts for the automotive segment made by major sources in the industry and based on a conservative approach. It was necessary to use this method because the Group did not have a strategic plan at the time. It will be approved in the next few months once the new top management team is appointed. The impairment test, based on such forecasts, does not indicate a need for impairment;
- pension plans (Euro 42.6 million): 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, future wage inflation rates, mortality and turnover rates;
- recoverability of deferred tax assets on tax losses (Euro 22.6 million): as of December 31, 2015, deferred tax assets on tax losses incurred during previous years were accounted for to the extent that it is probable that taxable income will be

available in the future against which they can be utilised. Such probability is also determined based on the fact that such losses have originated mainly under extraordinary circumstances that are unlikely to occur again in the future and that the same could be recovered throughout an unlimited or long-term time frame;

- derivatives (Euro 14,1 million in assets and Euro 11,9 million in liabilities): the estimate of the fair value of derivatives (relating to interest and exchange rates) and the effectiveness test on derivatives held for hedge accounting were performed with the aid of external consultants based on valuation models commonly used in the industry, in line with the requirements of IFRS 13 (calculation of DVA - debit valuation adjustment);
- embedded derivative - conversion option (Euro 9.1 million): the fair value of the conversion option in the convertible bond at the time of the irrevocable waiver by the Holding Company Sogefi S.p.A. of such right (January 28, 2015) was measured using a mathematical financial (binomial) model and such valuation parameters as the market price of Sogefi shares, the issue price of newly issued shares, risk-free rate and the volatility of the Sogefi stock;
- provision for product warranties (Euro 11.8 million)/Other non-current receivables (Euro 23.4 million).

With regard to provision for product warranties, there are claims in progress by two customers relating to a defective component supplied by subsidiary Systèmes Moteurs S.A.S. starting from 2010 before and partly after the subsidiary was acquired by the Sogefi Group. The Company believes that the defect was caused by a thermostat manufactured by a supplier of Systèmes Moteurs S.A.S. 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.

The court appointed a technical expert to write an expert witness report (*expertise*) in June 2012. Merit proceedings were suspended pending submission of the expert witness report. The expert established that the defect was caused by the thermostat manufactured by the supplier of Systèmes Moteurs S.A.S..

In 2014, the two customers joined the *expertise* proceedings and petitioned for their damages to be determined in the expert witness report. Their petition was accepted and the expert's assignment was extended accordingly.

Previously, both customers had requested an out-of-court settlement for damages. To date, neither customer is involved in any other proceedings.

The customers claimed Euro 122.8 million in damages, mostly relating to past and future campaigns and Euro 65.9 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.

With regard to the first amount claimed, each claim was broken down by period of production to reflect the associated production costs. According to the Company's estimates, Euro 60.4 million out of the 122.8 million claimed relate to the period before Systèmes Moteurs S.A.S was purchased by the Sogefi Group, and Euro 26,6 million relate to the 7 following months.

The Company has already paid Euro 3 million by issuing debit notes in favour of customers. In addition, the Company paid Euro 18.0 million to the two customers in the first half of 2015. Systèmes Moteurs S.A.S. paid out these amounts to the above mentioned customers on a provisional basis under standstill agreements, without any admission of liability. Such amounts will be adjusted or partly refunded as required when the Court decides on the merits of the case.

As of June 30, 2015, according to the general prudence principles, the Company decided to account for an additional provision of Euro 11.8 million for product warranties. This amount was reviewed in light of the latest developments at the end of 2015. The Company believes that this provision is still adequate.

With regard to the indemnities owed by the seller of Systèmes Moteurs S.A.S. 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 Europe S.r.l. had provided contractual guarantees relating to defect liability claims existing at the time of the acquisition, including those noted above.
As of December 31, 2015, such indemnification asset has been valued according to IFRS 3.57, and is still believed to be recoverable based on the contractual guarantees given by the seller and the considerations outlined above.
The Sogefi Group has not booked any such assets after 2011.
Sogefi S.p.A. initiated international arbitration proceedings against the seller of Systèmes Moteurs S.A.S.' shares to recover the costs incurred after the Systèmes Moteurs S.A.S. acquisition date, as provided for by the acquisition contract. An arbitration award is expected during the first half of 2016.

It should be noted that these are complex proceedings that involve passing judgement 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 best information available at the time of preparing the financial statements. They are subject to change as events evolve.

2.4 Adoption of new accounting standards

IFRS ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE SINCE JANUARY 1, 2015

The following IFRS accounting standards, amendments and interpretations were first adopted by the Group starting January 1, 2015:

- On May 20, 2013, IFRIC interpretation 21 – *Levies* was issued. The interpretation clarifies when a liability for levies (other than income taxes) imposed by government agencies should be recognised. This standard addresses both levies that are accounted for in accordance with IAS 37 - *Provisions, Contingent Liabilities and Contingent Assets*, and those for which the settlement timing and amount are certain. The interpretation applies retrospectively to reporting periods beginning on or after June 17, 2014. The adoption of this new interpretation had no impact on the consolidated financial statements of the Group.
- On December 12, 2013, the IASB issued document "*Annual Improvements to IFRSs: 2011-2013 Cycle*" implementing the amendments to some principles within the yearly improvement process (including IFRS 3 *Business Combinations – Scope exception for joint ventures*, IFRS 13 *Fair Value Measurement – Scope of portfolio exception,* IAS 40 *Investment Properties – Interrelationship between IFRS 3 and IAS 40).* The amendments apply to reporting periods beginning on or after January 1, 2015. The adoption of these amendments had no impact on the consolidated financial statements of the Group.

IFRS AND IFRIC ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS APPROVED BY THE EUROPEAN UNION BUT NOT YET MANDATORY APPLICABLE AND NOT EARLY ADOPTED BY THE GROUP AS AT DECEMBER 31, 2015

The Group has not adopted the following new and amended standards, that have been issued but are not mandatory applicable.

- Amendment to IAS 19 "*Defined Benefit Plans: Employee Contributions*" (issued on November 21, 2013) concerning the recognition of contributions from employees or third parties to defined benefit plans. The amendment applies at the latest for reporting periods beginning on February 1, 2015 or at a later date.
- Amendment to IFRS 11 *Joint Arrangements* – "*Accounting for acquisitions of interests in joint operations*" (issued on May 6, 2014) concerning the accounting for acquisitions of interests in a joint operation when the operation constitutes a business. The amendments apply as of January 1, 2016, though early adoption is allowed.
- Amendments to IAS 16 *Property, plant and equipment* and IAS 41 *Agriculture* – "*Bearer Plants*" (issued on June 30, 2014) providing for bearer plants, i.e. fruit trees that bear produce annually (such as vines, hazelnut plants) to be accounted for under IAS 16 (rather than IAS 41). The amendments apply as of January 1, 2016, though early adoption is allowed.

- Amendments to IAS 16 *Property, plant and Equipment* and IAS 38 *Intangibles Assets* – "*Clarification of acceptable methods of depreciation and amortisation*" (issued on May 12, 2014) establishing that a depreciation or amortisation method that is based on revenue is not appropriate, because the revenue arising from the operation of a business of which the asset under depreciation or amortisation is part reflects a different pattern from the mere use of the economic benefits arising from the asset, which is a pre-requisite for depreciation or amortisation. The amendments apply as of January 1, 2016, though early adoption is allowed.
- Amendment to IAS 1 – "*Disclosure Initiative*" (issued on December 18, 2014): the goal of the amendments is to provide some clarifications on disclosures and other elements that may be perceived as hindrance to a clear and intelligible presentation of financial statements. The amendments apply as of January 1, 2016, though early adoption is allowed.

  Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

On December 12, 2013, the IASB published documents "Annual Improvements to IFRSs: 2010-2012 Cycle" (including IFRS 2 *Share Based Payments – Definition of vesting condition*, IFRS 3 *Business Combination – Accounting for contingent consideration*, IFRS 8 *Operating segments – Aggregation of operating segments* and *Reconciliation of total of the reportable segments' assets to the entity's assets*, IFRS 13 *Fair Value Measurement – Short-term receivables and payables*) and – on September 25, 2014 – "Annual Improvements to IFRSs: 2012-2014 Cycle" (including: IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations,* IFRS 7 – *Financial Instruments: Disclosure* and IAS 19 – *Employee Benefits*) partly amending existing standards. The amendments apply at the latest to the reporting periods starting on or after February 1, 2015 and financial years starting on or after January 1, 2016.
Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted.

IFRS 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 Consolidated Financial Statements.

- IFRS 15 – *Revenue from Contracts with Customers* (issued on May 28, 2014) bound to replace IAS 18 – *Revenue* and IAS 11 – *Construction Contracts*, as well as the interpretations IFRIC 13 – *Customer Loyalty Programmes*, IFRIC 15 – *Agreements for the Construction of Real Estate*, IFRIC 18 – *Transfers of Assets from Customers* and SIC 31 – *Revenues-Barter Transactions Involving Advertising Services*. 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. The main steps for revenue recognition according to the new model are:
  - identifying the agreement in place with the customer;
  - identifying the performance obligations under the agreement;
  - defining the transaction price;
  - price allocation to the performance obligations under the agreement;

- revenue recognition criteria when the entity satisfies each performance obligation.

This standard is applicable as of January 1, 2018, though early adoption is allowed. Directors expect that the adoption of IFRS 15 will have an impact on the revenue recognition and the relevant disclosure 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 agreements in place with the customers.

- Final version of IFRS 9 – Financial instruments (issued on July 24, 2014). The standard includes the results of the classification, valuation, 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).

  The new standard, which supersedes the previous versions of IFRS 9, must be applied to reporting period beginning on January 1, 2018 and thereafter.

  Directors expect IFRS 9 to have a significant impact on the balances and the relevant disclosures in the Consolidated Financial Statements of the Group. Still, it will be impossible to provide a reasonable estimate as to the effects until the Group completes a detailed analysis.

- On January 13, 2016, the IASB issued IFRS 16 – *Leases* which is to replace 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 January 1, 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.

- Document "*Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)*" (issued on December 18, 2014) introduces certain changes to address issues arisen after the application of the consolidation exception granted to investment entities. The amendments apply at the latest as of the reporting period starting on January 1, 2016 or at a later date. Early adoption is allowed. Directors do not expect any significant effect on the consolidated financial statements of the Group when these amendments are adopted, as the Company does not meet the definition of investment entity.

On September 11, 2014 the IASB issued an amendment to *IFRS 10 and IAS 28 Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*. The purpose of these amendments was to resolve the conflict between IAS 28 and IFRS 10 concerning the measurment 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.

3. FINANCIAL ASSETS

Classification and initial recognition

In accordance with IAS 39, financial assets are to be classified in the following four categories:

1. financial assets at fair value through profit or loss;
2. held-to-maturity investments;
3. loans and receivables;
4. available-for-sale financial assets.

The classification depends on the purpose for which assets are bought and held. *Management* decides on their initial classification at the time of initial recognition, subsequently checking that it still applies at the end of each reporting period.

The main characteristics of the assets mentioned above are as follows:

Financial assets at fair value through profit or loss
This is made up of two sub-categories:
- financial assets held specifically for trading purposes;
- financial assets to be measured at fair value under the fair value option designation.

This category also includes all financial investments, other than equity instruments that do not have a price quoted on an active market, but for which the fair value can be determined.
Derivatives are included in this category, unless they are designated as hedging instruments, and their fair value is booked to the Income Statement.

At the time of initial recognition, financial assets held for trading are recognised at fair value, not including the transaction costs or income associated with the same instruments, which are recognised in the Income Statement.

All of the assets in this category are classified as current if they are held for trading purposes or if they are expected to be sold within 12 months from the end of the reporting period.

Designation of a financial instrument to this category is considered final (IAS 39 envisages some exceptional circumstances in which said financial assets may be reclassified in another category) and can only be done on initial recognition.

Held-to-maturity investments
These are non-derivative assets with fixed or determinable payments and fixed maturities which the Group intends to hold to maturity (e.g. subscribed bonds).
The intention and ability to hold the security to maturity must be evaluated on initial recognition and confirmed at the end of each reporting period.
In the case of early disposal of securities belonging to this category (for a significant amount and not motivated by particular events), the entire portfolio is reclassified to financial assets available for sale and restated at fair value.

Loans and receivables
These are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and in which the Group does not intend to trade.
They are included in current assets except for the portion falling due beyond 12 months from the end of the reporting period, which is classified as non-current.

Available-for-sale financial assets
This is a residual category represented by non-derivative financial assets that are designated as available for sale and which have not been assigned to one of the previous categories.
"Available-for-sale financial assets" are recorded at their fair value including related purchase costs.
They are classified as non-current assets, unless management intends to dispose of them within 12 months from the end of the reporting period.

Subsequent measurement

Gains and losses on "Financial assets at fair value through profit or loss" (cat. 1) are immediately booked to the Income Statement.
"Available-for-sale financial assets" (cat. 4) are measured at fair value unless a market price or the fair value of equity instruments cannot be reliably determined. In this case the cost method is used.
Gains and losses on "Available-for-sale financial assets" (cat. 4) are booked to a separate item under Other comprehensive income until they have been sold or cease to exist, or until it has been ascertained that they have suffered an impairment loss. When such events take place, all gains or losses recognised and booked to Other comprehensive income up to that moment are transferred to the Income Statement.

Fair value is the amount for which an asset could be exchanged, or that would be paid to transfer a liability (exit price) in an arm's length transaction between informed and independent parties. Consequently, it is assumed that the holder is a going-concern entity and that none of the parties needs to liquidate their assets in a forced sale at unfavourable conditions.

In the case of securities traded on regulated markets, fair value is determined with reference to the bid price at the close of trading at the end of the reporting period.
In cases where no market valuation is available for an investment, fair value is determined either on the basis of the current market value of another very similar financial instrument or by using appropriate financial techniques (such as discounted cash flow analysis).
Purchases or sales regulated at "market prices" are recognised on the day of trading, which is the day on which the Group takes a commitment to buy or sell the asset.

"Held-to-maturity investments" (cat. 2) and "Loans and receivables" (cat. 3) are measured at their "amortised cost" using the effective interest rate and taking account of any discounts or premiums obtained at the time of acquisition so that they can be recognised over the entire period until their maturity. Gains or losses are booked to the Income Statement either at the time that the investment reaches maturity or when an impairment arises, in the same way that they are recognised during the normal process of amortisation that is part of the amortised cost method.

Investments in financial assets can only be *derecognised* once the contractual rights to receive the cash flows deriving from such investments have expired (e.g. final redemption of bonds) or if the Group transfers the financial asset and all of the risks and benefits attached to it.

B) SEGMENT INFORMATION

4. OPERATING SEGMENTS

In compliance with the provisions of IFRS 8, the following information is provided by operating segments (business segments) and performance indicators that play a key role in the Group's strategic decisions.
As the analysis by business segments is given higher priority in the decision-making process, the analysis by geographic areas is not presented.
During the year 2015, the new top management team implemented a leaner, more product-oriented internal organisation based on three Business Units: Suspensions, Filtration, and Air&Cooling (until fiscal year 2014 the business units "Filtration" and "Air&Cooling" were part of the "Engine System" business unit).

Business segments

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

The tables below provide the Group's income statement and statement of financial position figures for 2014 and 2015:

(in thousands of Euro)	2014					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Purch. S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	372,001	505,343	472,047	-	-	1,349,391
Intersegment sales	2,311	1,266	1,662	27,403	(32,642)	-
TOTAL REVENUES	374,312	506,609	473,709	27,403	(32,642)	1,349,391
RESULTS						
EBIT	14,219	18,206	28,398	(7,123)	(5,429)	48,271
Financial expenses, net						(26,818)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						21,453
Income taxes						(13,058)
Loss (profit) attributable to non-controlling interests						(4,756)
NET RESULT						3,639
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	254,682	415,632	320,034	629,887	(700,230)	920,005
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	172,199	172,199
TOTAL ASSETS	254,682	415,632	320,034	629,887	(528,031)	1,092,204
LIABILITIES						
Segment liabilities	159,470	289,284	218,623	482,035	(237,994)	911,418
TOTAL LIABILITIES	159,470	289,284	218,623	482,035	(237,994)	911,418
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	21,917	25,865	29,510	11,140	(4,025)	84,407
Depreciation, amortisation and writedowns	14,167	23,149	19,223	2,645	2,000	61,184

(in thousands of Euro)	2015					
	Air&Cooling	Suspensions	Filtration	Sogefi S.p.A. / Sogefi Purch. S.A.S.	Adjustments	Sogefi consolidated f/s
REVENUES						
Sales to third parties	407,293	556,758	534,954	45	-	1,499,050
Intersegment sales	1,988	1,257	1,489	29,689	(34,423)	-
TOTAL REVENUES	409,281	558,015	536,443	29,734	(34,423)	1,499,050
RESULTS						
EBIT	(2,522)	35,441	32,228	(13,100)	(1,305)	50,742
Financial expenses, net						(32,778)
Income from equity investments						-
Losses from equity investments						-
Result before taxes						17,964
Income taxes						(12,913)
Loss (profit) attributable to non-controlling interests						(3,931)
NET RESULT						1,120
STATEMENT OF FINANCIAL POSITION						
ASSETS						
Segment assets	267,423	420,642	333,112	642,567	(716,023)	947,721
Equity investments in associates	-	-	-	-	-	-
Unallocated assets	-	-	-	-	172,199	172,199
TOTAL ASSETS	267,423	420,642	333,112	642,567	(543,824)	1,119,920
LIABILITIES						
Segment liabilities	163,710	292,604	213,364	489,914	(230,068)	929,524
TOTAL LIABILITIES	163,710	292,604	213,364	489,914	(230,068)	929,524
OTHER INFORMATION						
Increase in tangible and intangible fixed assets	21,640	22,661	36,415	2,210	(1,283)	81,643
Depreciation, amortisation and writedowns	16,589	22,621	20,387	3,615	1,539	64,751

Please note that the Air&Cooling Business Unit figures include the net book value of the Systèmes Moteurs Group coming from local financial statements – in other words, not including the fair value adjustment of net assets after the Purchase Price Allocation performed in 2011 – but only the adjustments related to the measurement of product warranty provisions (contingent liabilities booked during the 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 Purchasing S.A.S. to other Group companies (see note 40 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" refer to depreciation and amortisation linked to the revaluation of assets resulting from the acquisition of 40% of Sogefi Rejna S.p.A. and its subsidiaries in the year 2000 and of the Systèmes Moteurs Group in the year 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, 40% of 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 Systèmes Moteurs Group.
“Depreciation, amortisation and writedowns” include writedowns of tangible and intangible fixed assets for the amount of Euro 357 thousand, of which Euro 243 thousand relate to the French subsidiary S. ARA Composite S.A.S.; Euro 114 thousand reflect development projects of subsidiary Sogefi-MNR Engine Systems India Pvt Ltd. that cannot be recovered.

These assets were written down based on the recoverable value of assets at year-end date, which is considered to be zero.

Information on the main customers

Revenues from sales to third parties as of December 31, 2015 accounting for over 10% of Group revenues are shown in the following table:

(in thousands of Euro)	2015				
Group	Group		BU Filtration	BU Air&Cool.	BU Suspensions
	Amount	*%*			
Ford	200,262.6	13.4	48,981.2	68,812.4	82,469.0
FCA/CNH Industrial	179,600.6	12.0	80,873.4	53,203.3	45,523.9
Renault/Nissan	175,317.0	11.7	50,396.3	45,229.7	79,691.0
PSA	166,413.0	11.1	53,869.9	52,779.0	59,764.2

Information on geographic areas

The breakdown of revenues by geographical area "of destination", in other words with regard to the nationality of the customer, is analysed in the Directors' Report and in the notes to the Income Statement.

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

(in thousands of Euro)	2014					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,458,305	111,324	114,342	115,911	(707,678)	1,092,204

(in thousands of Euro)	2015					
	Europe	South America	North America	Asia	Adjustments	Sogefi consolidated f/s
TOTAL ASSETS	1,439,944	92,635	138,228	136,111	(686,998)	1,119,920

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

C 1) ASSETS

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to Euro 121,892 thousand versus Euro 124,033 thousand as of December 31, 2014 and break down as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Short-term cash investments	121,835	123,976
Cash on hand	57	57
TOTAL	121,892	124,033

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

For further details, please refer to the Analysis of the net financial position in note 22 and to the Consolidated Cash Flow Statement included in the financial statements.

As of December 31, 2015, the Group has unused lines of credit for the amount of Euro 300,701 thousand. These funds are available for use on demand, because the conditions required for their availability are met.

Please note that this item includes ARS (Argentine Peso) 13,619 thousand, i.e. the equivalent of Euro 966 thousand at the exchange rate in force on December 31, 2015 (ARS 41,242 thousand, the equivalent of Euro 4,013 at the exchange rate in force on December 31, 2014) held by the Argentinian subsidiaries.

6. OTHER FINANCIAL ASSETS

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

(in thousands of Euro)	12.31.2015	12.31.2014
Securities held for trading	17	18
Financial receivables	1,438	2,000
Held-to-maturity investments	3,949	6,953
Assets for derivative financial instruments	931	519
TOTAL	6,335	9,490

"Held-to-maturity investments" are measured at amortised cost and include bank term deposits. The reduction of this item is due to the natural expiration of these deposits.
"Assets for derivative financial instruments" total Euro 931 thousand and refer to the fair value of forward foreign exchange contracts. Further details can be found in the analysis of financial instruments contained in note 39.

7. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of Euro)	12.31.2015			12.31.2014		
	Gross	*Write-downs*	*Net*	*Gross*	*Write-downs*	*Net*
Raw, ancillary and consumable materials	60,298	3,829	56,469	55,863	4,141	51,722
Work in progress and semi-finished products	14,171	283	13,888	14,126	569	13,557
Contract work in progress and advances	39,190	12	39,178	29,573	21	29,552
Finished goods and goods for resale	55,633	5,474	50,159	54,984	5,673	49,311
TOTAL	169,292	9,598	159,694	154,546	10,404	144,142

The gross value of inventories increased by Euro 14,746 thousand compared to the previous year (the increase would amount to Euro 18,513 thousand exchange rates being equal), of which Euro 9,617 thousand reflect an increase in tooling for sale to customers included in "Contract work in progress and advances" (mostly relating to the Air and Cooling business unit), whereas the remaining portion originates from increased volumes.

Writedowns consist for the most part of accruals for raw materials that can no longer be used for current production and for obsolete or slow-moving finished goods, goods for resale and ancillary materials. The decrease in the provisions – by Euro 806 thousand – reflects products scrapped during the year for the amount of Euro 1,299 thousand, that were partly offset by further accruals for Euro 636 thousand and a negative currency exchange effect for Euro 143 thousand.

8. TRADE AND OTHER RECEIVABLES

Current receivables break down as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Trade receivables	142,266	150,976
Less: allowance for bad debts	5,367	5,170
Trade receivables, net	136,899	145,806
Due from Parent Company	6,590	2,277
Tax receivables	26,753	22,564
Other receivables	7,915	6,884
Other assets	3,974	3,599
TOTAL	182,131	181,130

"Trade receivables, net" are non-interest bearing and have an average due date of 32 days, against 37 days recorded at the end of the previous year.
It should be noted that as of December 31, 2015, the Group factored trade receivables for Euro 88,972 thousand (Euro 78,784 thousand as of December 31, 2014), including

an amount of Euro 48,487 thousand (Euro 45,814 thousand as of December 31, 2014) which was not notified 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 88,972 thousand as at December 31, 2015 and Euro 78,784 thousand as at December 31, 2014) and the effect of exchange rates (Euro 4,866 thousand), net trade receivables increased by Euro 6,147 thousand as a result of the increase in the Group's business activities in the last quarter of the year compared to the same quarter of the previous year, which was partly offset by lower past due receivables (Euro 6,333 thousand) and changes in the payment terms of bonuses and productivity bonuses in favour of customers.

Further adjustments were booked to "Allowance for doubtful accounts" during the year for a total of Euro 1,554 thousand, against net utilisations of the allowance for the amount of Euro 1,180 thousand (see note 39 for further details). Allowance balance decreased by Euro 177 thousand due to foreign currency exchange effects. Writedowns, net of provisions not used during the period, were charged to Income Statement under the item "Variable cost of sales – Variable sales and distribution costs".

"Due from Parent Company" as of December 31, 2015 is the amount receivable from the Parent Company CIR S.p.A. arising from the participation in the Group tax filing system on the part of the Italian companies of the Group. Outstanding receivables as at December 31, 2014 (totalling Euro 2,277 thousand) collected in 2015 amounted to Euro 1,487 thousand.
See chapter F for the terms and conditions governing these receivables from CIR S.p.A..

"Tax receivables" as of December 31, 2015 include tax credits due to the Group companies by the tax authorities of the various countries. The increase in this item reflects VAT credits and indirect taxes for the amount of Euro 2,193 thousand, and a tax credit of Euro 2,878 thousand relating to research and development grants in favour of the French subsidiaries; the item considers also a decrease of other tax credits by Euro 882 thousand.
It does not include deferred taxes which are treated separately.

"Other receivables" are made up as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Amounts due from social security institutions	204	383
Amounts due from employees	320	796
Advances to suppliers	2,659	3,006
Due from others	4,732	2,699
TOTAL	7,915	6,884

The increase in "Other receivables" refers for the most part to subsidiaries Sogefi Rejna S.p.A. and Allevard Sogefi U.S.A. Inc. and reflects insurance indemnities.

The item “Other assets” mainly includes accrued income and prepayments on insurance premiums, rents, indirect taxes relating to buildings and on costs incurred for sales activities.

9. TANGIBLE FIXED ASSETS

The net carrying amount of tangible fixed assets as of December 31, 2015 amounted to Euro 252,252 thousand versus Euro 244,061 thousand at the end of the previous year and breaks down as follows:

(in thousands of Euro)	2015				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	14,286	191,283	5,348	33,144	244,061
Additions of the period	-	19,418	1,623	30,225	51,266
Disposals during the period	(2)	(203)	(28)	(27)	(260)
Exchange differences	15	(4,939)	(352)	(326)	(5,602)
Depreciation for the period	-	(35,351)	(1,729)	(25)	(37,105)
Write-downs/revaluations during the period	-	(243)	-	-	(243)
Reclassification of non-current asset held for sale	-	-	-	-	-
Other changes	-	31,896	481	(32,242)	135
Balance at December 31	14,299	201,861	5,343	30,749	252,252
Historical cost	14,299	804,801	26,647	31,477	877,224
of which: leases - gross value	-	*13,751*	*86*	*369*	*14,206*
Accumulated depreciation	-	602,940	21,304	728	624,972
of which: leases - accumulated depreciation	-	*7,288*	*86*	-	*7,374*
Net value	14,299	201,861	5,343	30,749	252,252
Net value - leases	-	*6,463*	-	*369*	*6,832*

(in thousands of Euro)	2014				
	Land	*Buildings, plant and machinery, commercial and industrial equipment*	*Other assets*	*Assets under construction and payments on account*	*TOTAL*
Balance at January 1	15,444	185,920	4,957	30,094	236,415
Additions of the period	-	16,051	1,729	24,498	42,278
Disposals during the period	(1,251)	(2,520)	(30)	(13)	(3,814)
Exchange differences	93	4,629	156	878	5,756
Depreciation for the period	-	(33,667)	(1,658)	-	(35,325)
Write-downs/revaluations during the period	-	(1,315)	(10)	(35)	(1,360)
Reclassification of non-current asset held for sale	-	-	-	-	-
Other changes	-	22,185	204	(22,278)	111
Balance at December 31	14,286	191,283	5,348	33,144	244,061
Historical cost	14,286	803,835	26,802	33,872	878,795
of which: leases - gross value	-	*10,694*	*77*	-	*10,771*
Accumulated depreciation	-	612,552	21,454	728	634,734
of which: leases - accumulated depreciation	-	*5,551*	*72*	-	*5,623*
Net value	14,286	191,283	5,348	33,144	244,061
Net value - leases	-	*5,143*	*5*	-	*5,148*

Investments during the year amounted to Euro 51,266 thousand compared with Euro 42,278 thousand in the previous year.

The larger projects regarded the “Assets under construction and payments on account” and “Buildings, plant and machinery, commercial and industrial equipment” categories.

Major investments in the “Assets under construction and payments on account” category mainly reflect investments in subsidiaries Sogefi Filtration do Brasil Ltda for the adjustments made to meet the needs of manufacture at the new plant in Atibaia, Brazil; Allevard Sogefi U.S.A. Inc. and Sogefi Filtration Argentina S.A. to improve production processes and develop new products; Sogefi Rejna S.p.A. to increase production capacity and develop new products;, LPDN GmbH to improve production processes and develop new products and for extraordinary maintenance operations. This item also includes investments in the French companies Allevard Rejna Autosuspensions S.A., Filtrauto S.A. and Systèmes Moteurs S.A.S. for the enhancement of production capacity, the development of new products, the improvement of production processes and quality, and the adjustment of the production lines in compliance with health and safety rules and regulations.

Among the most significant projects in the “Buildings, plant and machinery, commercial and industrial equipment” category, noteworthy are the investments in subsidiaries Sogefi (Suzhou) Auto Parts Co., Ltd to expand production capacity as new products are developed; Allevard Rejna Autosuspensions S.A. to improve production processes and develop new products; S.C. Systèmes Moteurs S.r.l. and Allevard Sogefi U.S.A. Inc. to expand production capacity and develop new products; Sogefi Engine Systems Canada Corp. to improve processes and develop new products.

No relevant disposals were made during 2015.

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

"Writedowns/revaluations during the period" totalled Euro 243 thousand and mainly relates to the French subsidiary S. ARA Composite S.A.S..
Impairment losses less reversals are booked to "Other non-operating expenses (income)".

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

The balance of "Assets under construction and payments on account" as of December 31, 2015 includes Euro 163 thousand of advances for investments.

The main inactive assets, with a total net value of Euro 8,364 thousand, included in the item "Tangible fixed assets" mostly refer to the Lieusaint plant of subsidiary Allevard Rejna Autosuspensions S.A. (Euro 3,585 thousand) and to investment properties of the Holding Company Sogefi S.p.A. (located in Mantova and San Felice del Benaco, for a total amount of Euro 4,605 thousand). The fair value of these assets as measured by an independent expert report exceeds their net book value. The book value of said assets will be recovered through their sale rather than through their continuous use. As we do not expect to sell them within one year, they are not subject to the accounting treatment envisaged by IFRS 5 and depreciation is continued.

No interest costs were capitalised to "Tangible fixed assets" during the year 2015.

Guarantees
As of December 31, 2015, tangible fixed assets are encumbered by mortgages or liens totalling Euro 7,726 thousand to guarantee loans from financial institutions, compared to Euro 6,652 thousand as of December 31, 2014. Guarantees existing as of December 31, 2015 refer to subsidiaries Sogefi Engine Systems Canada Corp., Allevard IAI Suspensions Private Ltd, United Springs B.V. and Sogefi Filtration do Brasil Ltda.

Purchase commitments
As of December 31, 2015, there are binding commitments to buy tangible fixed assets for Euro 1,709 thousand (Euro 323 thousand as of December 31, 2014) relating to the subsidiaries Allevard Rejna Autosuspensions S.A. and United Springs S.A.S.. Said commitments will be settled within 12 months.

Leases
The carrying value of assets under financial leases as of December 31, 2015 was Euro 14,206 thousand, and the related accumulated depreciation amounted to Euro 7,374 thousand.

Please note that in 2015, subsidiary Allevard Sogefi USA Inc. re-negotiated the financial lease agreement entered into in 2013 after the purchase of additional assets, increasing its value by Euro 2,334 thousand. The new lease agreement presents for the same annual interest rate (3.24%) and term (June 2023) as the original one.
The financial aspects of the lease payments and their due dates are explained in note 16.

10. INTANGIBLE ASSETS

The net balance as of December 31, 2015 was Euro 284,050 thousand versus Euro 282,996 thousand at the end of the previous year, and breaks down as follows:

(in thousands of Euro)	2015						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at January 1	77,773	36,033	19,767	15,833	6,951	126,639	282,996
Additions of the period	16,971	2,248	11,158	-	-	-	30,377
Disposals during the period	(748)	-	(20)	-	-	-	(768)
Exchange differences	(992)	(33)	277	-	-	-	(748)
Amortisation for the period	(21,129)	(4,071)	(664)	(990)	(435)	-	(27,289)
Writedowns during the period	-	-	(114)	-	-	-	(114)
Other changes	7,487	328	(8,219)	-	-	-	(404)
Balance at December 31	79,362	34,505	22,185	14,843	6,516	126,639	284,050
Historical cost	184,219	64,388	25,788	19,215	8,437	149,537	451,584
Accumulated amortisation	104,857	29,883	3,603	4,372	1,921	22,898	167,534
Net value	79,362	34,505	22,185	14,843	6,516	126,639	284,050

(in thousands of Euro)	2014						
	Develop-ment costs	*Industrial patents and intellectual property rights, concessions, licences and trademarks*	*Other, assets under construction and payments on account*	*Customer Relationship*	*Trade name Systemes Moteurs*	*Goodwill*	*TOTAL*
Balance at January 1	70,799	28,064	13,014	16,823	7,386	126,639	262,725
Additions of the period	21,016	10,151	10,962	-	-	-	42,129
Disposals during the period	-	(7)	-	-	-	-	(7)
Exchange differences	1,875	33	588	-	-	-	2,496
Amortisation for the period	(17,412)	(3,353)	(485)	(990)	(435)	-	(22,675)
Writedowns during the period	(1,739)	-	(85)	-	-	-	(1,824)
Other changes	3,234	1,145	(4,227)	-	-	-	152
Balance at December 31	77,773	36,033	19,767	15,833	6,951	126,639	282,996
Historical cost	171,609	61,982	22,659	19,215	8,437	149,537	433,439
Accumulated amortisation	93,836	25,949	2,892	3,382	1,486	22,898	150,443
Net value	77,773	36,033	19,767	15,833	6,951	126,639	282,996

Investments during the year amounted to Euro 30,377 thousand.

The increases in "Development Costs" for the amount of Euro 16,971 thousand refer to the capitalisation of costs incurred by Group companies to develop new products in collaboration with leading motor vehicle manufacturers (after obtaining the nomination from the customer). The largest investments refer to the subsidiaries Systèmes Moteurs S.A.S., Filtrauto S.A., Sogefi Engine Systems Canada Corp., Sogefi Filtration do Brasil Ltda, Allevard Sogefi U.S.A. Inc., Allevard Springs Ltd, Sogefi Engine Systems Mexico S. de R.L. de C.v. and Sogefi (Suzhou) Auto Parts Co., Ltd.

Increases in "Industrial patents and intellectual property rights, concessions, licences and trademarks" amount to Euro 2,248 thousand and refer nearly entirely to the development and implementation in process 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", for the amount of Euro 11,158 thousand, refer mainly to a large number of investments in the development and implementation of the new products not yet flowed into production. The highest development costs were recorded at subsidiaries Allevard Sogefi U.S.A. Inc., Sogefi Filtration Ltd, Sogefi Filtration d.o.o. and S.C. Systèmes Moteurs S.r.l.

"Disposals during the period" amount to Euro 768 thousand and mostly account for research and development costs incurred by subsidiary Systèmes Moteurs S.A.S. in developing new products charged back to auto makers.

"Writedowns", for the amount of Euro 114 thousand, reflect development projects of subsidiary Sogefi-MNR Engine Systems India Pvt Ltd. that cannot be recovered.

The item does not include advances to suppliers for the purchase of fixed assets.

"Development costs" principally include costs generated internally, whereas "Industrial patents and intellectual property rights, concessions, licences and trademarks" consist of factors that are acquired externally for the most part.
"Other, assets under construction and payments on account" include around Euro 11,920 thousand of costs generated internally.

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

Goodwill and impairment test

From January 1, 2004 goodwill is no longer amortised, but subjected each year to impairment test.

The Company has identified five Cash Generating Units (CGUs), the first two re-nominated in 2015 following the change in the definitions of Business Units (note 4):

- filtration (before "engine systems – fluid filtration")

- air and cooling (before “engine systems – filtration air and cooling”)
- car suspension
- industrial vehicle suspension
- precision springs

For the moment, it is possible to identify goodwill deriving from external acquisitions in three CGUs: engine systems - fluid filters, engine systems - air intake and cooling and car suspension.

The specific goodwill of “CGU Engine Systems – Fluid Filters” amounts to Euro 77,030 thousand; the goodwill of “CGU Engine Systems – Air Intake and Cooling” amounts to Euro 32,560 thousand; and the goodwill of “CGU Car Suspension” amounts to Euro 17,049 thousand.

Impairment tests have been carried out in accordance with the procedure laid down in IAS 36 to check whether there have been any losses in the value of this goodwill, by comparing the book value of the individual CGUs with their value in use, given by the present value of estimated future cash flows that are expected to result from the continuing use of the asset being tested for impairment.
We used the discounted cash flows (Discounted Cash on Flow Unlevered). The Group took into account the cash flows projections expected for 2016 as determined based on the budget (approved by the Board of Directors on January 19, 2016) and the forecasts included in the 2017-2019 projection update (adjusted to eliminate any estimated benefits from future projects and reorganisations) approved by the Board of Directors on February 29, 2016 for the following years. Projections were prepared by management and approved by the Board of Directors for the sole purpose of impairment testing. Budget and projections were prepared taking into account forecasts for the automotive segment made by major sources in the industry and based on a conservative approach.

A discounting rate of 9.55%, which reflects the weighted average cost of capital, was used. The same discounting rate is used for all three CGUs. As a matter of fact, the three CGUs operate in the same sector and deal with the same kind of customers, and it is estimated that they are exposed to the same risk.

The terminal value was calculated using the “perpetual annuity” approach, assuming a growth rate (“g-rate”) of 2% (assumed to be conservative when compared to the forecasts for the automotive segment available from major sources of the industry) and considering an operating cash flow based on the last year of the projection (the year 2018), adjusted to project a stable situation “in perpetuity”, based on the following main assumptions:
- a balance between capital investment and depreciation (according to the rationale of considering the level of investment needed to "maintain" the *business*);
- change in working capital equal to zero.

As regards the average cost of capital, we calculated a weighted average of the cost of debt (taking into consideration the benchmark interest rates plus a spread) and the Company's own cost of capital, based on parameters for a group of firms operating in the European car components sector which are considered by the leading industry analysts to be Sogefi's peers. The values used to calculate the average cost of capital (extrapolated from the main financial sources) are as follows:

- financial structure of the industry: 17.1%
- levered beta of the industry: 1.12
- risk-free rate: 3.0% (annual average of risk-free rates of 10 year securities of the key markets in which the Group operates, weighted by sales revenues)
- risk premium: 7.0% (weighted average risk premium calculated by primary source of the industry for the key markets in which the Group operates, weighted by sales revenues)
- debt cost spread: 3.4% (estimate based on the 2016 budget)

As far as the sensitivity analysis goes, it should be noted that:

- the impairment test reached break-even point at the following discounting rates (growth rate of terminal value remaining unchanged at 2% and all other plan assumptions being equal): 16.75% for CGU Fluid Filters; 12.28% for CGU Air and Cooling; and 14.1% for CGU Car Suspension;
- the impairment test reached break-even point with a significant reduction in EBIT during the specific period that was also applied to terminal value (all other plan assumptions being equal): -50.1% in CGU Filtration; -26.9% in CGU Air and Cooling; and -39.1% in CGU Car Suspension;
- the impairment test reached break-even point at the following reduction rates of the terminal value “g-rate” (all other plan assumptions being equal): -8.9% in CGU Filtration; -1.4% in CGU Air&Cooling; and -4.3% in CGU Car Suspension;

The test based on the present value of the estimated future cash flows turns out a value in use of the CGUs that exceeds their carrying value, so no writedown has been posted.

11. INVESTMENTS IN JOINT VENTURES

As of December 31, 2015, there were no investments in joint ventures.

12. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

As of December 31, 2015, these assets totalled Euro 439 thousand. They are unchanged versus December 31, 2014 and break down as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Equity investments in other companies	439	439
Other securities	-	-
TOTAL	439	439

The balance of “Equity investments in other companies” essentially refers to the 22.62% shareholding in the company AFICO FILTERS S.A.E.. The equity investment was not classified as associate due to the lack of Group’s members in the management bodies of the company (which means the Group does not exert significant influence on the company). This equity investment was measured under the cost method because its fair value could not be measured reliably.

13. FINANCIAL RECEIVABLES AND OTHER NON-CURRENT RECEIVABLES

Non-current financial receivables total Euro 13,156 thousand (Euro 157 thousand as of December 31) and refer to the fair value of cross currency swap hedging contracts. For further details, please refer to note 39.

"Other receivables" break down as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Pension fund surplus	23,368	23,368
Other receivables	11,298	11,258
TOTAL	34,666	34,626

"Other receivables" include an indemnification asset of Euro 23,368 thousand owed by the seller of Systèmes Moteurs S.A.S.' shares – booked upon the PPA of the Systèmes 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 (after possible partial indemnities obtained from insurers and suppliers). Sogefi S.p.A. initiated international arbitration proceedings, still under way, against the seller of Systèmes Moteurs S.A.S' shares to collect the payables, as provided for by the acquisition contract. For further details, please refer to note 19, paragraph "Provision for product warranties".

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.

14. DEFERRED TAX ASSETS

As of December 31, 2015, this item amounts to Euro 65,301 thousand compared to Euro 71,126 thousand as of December 31, 2014.
This amount relates to the expected benefits on deductible temporary differences, booked to the extent that it is probable that it will be recovered. Reference should be made to note 20 for a further discussion of this matter.

15. NON-CURRENT ASSETS HELD FOR SALE

As of December 31, 2015, there are no non-current assets held for sale.

C 2) LIABILITIES AND EQUITY

16. FINANCIAL DEBTS TO BANKS AND OTHER FINANCING CREDITORS

These break down as follows:

Current portion

(in thousands of Euro)	12.31.2015	12.31.2014
Bank overdrafts and short-term loans	17,843	13,426
Current portion of medium/long-term financial debts	74,445	64,508
of which: leases	*1,252*	*914*
TOTAL SHORT-TERM FINANCIAL DEBTS	92,288	77,934
Other short-term liabilities for derivative financial instruments	325	350
TOTAL SHORT-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	92,613	78,284

Non-current portion

(in thousands of Euro)	12.31.2015	12.31.2014
Financial debts to banks	141,080	131,617
Other medium/long-term financial debts	218,417	203,648
of which: leases	*8,135*	*6,481*
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	359,497	335,265
Other medium/long-term liabilities for derivative financial instruments	11,562	24,464
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND DERIVATIVE FINANCIAL INSTRUMENTS	371,059	359,729

Bank overdrafts and short-term loans

For further details, please refer to the Analysis of the net financial position in note 22 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:

Balance at December 31, 2015 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guarantees
Sogefi S.p.A.	Intesa SanPaolo S.p.A.	Apr - 2011	Dec - 2016	60,000	Euribor trim. + 260 bps variable	7,868	0	7,868	N/A
Sogefi S.p.A.	BNP Paribas S.A.	Sep - 2014	Sep - 2019	55,000	Euribor trim. + 190 bps variable	0	24,858	24,858	N/A
Sogefi S.p.A.	Mediobanca S.p.A.	Jul- 2014	Jan - 2016	20,000	Euribor trim. + 170 bps variable	0	19,998	19,998	N/A
Sogefi S.p.A.	Banca Carige Italia S.p.A.	Jul - 2011	Sep - 2017	25,000	Euribor trim. + 225 bps variable	5,231	3,969	9,200	N/A
Sogefi S.p.A.	ING Bank	Jul - 2015	Sep - 2020	30,000	Euribor trim. + 190 bps variable	0	29,846	29,846	N/A
Sogefi S.p.A.	Mediobanca S.p.A.	Jul - 2015	Jan - 2017	20,000	Euribor trim. + 130 bps variable	0	19,952	19,952	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Sep - 2015	Sep - 2018	19,000	Euribor trim. + 130 bps variable	3,800	15,124	18,924	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Dec - 2012	Apr - 2017	15,000	Euribor trim. + 315 bps variable	3,750	3,713	7,463	N/A
Sogefi S.p.A.	Banca Carige Italia S.p.A.	Nov - 2015	Jun - 2019	10,000	Euribor trim. + 130 bps variable	2,811	7,116	9,927	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Jun - 2014	Jan - 2017	11,415	8.80% fixed	5,156	6,259	11,415	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Jun - 2015	Jan - 2017	5,235	8.01% fixed	1,772	3,463	5,235	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Jan - 2015	Jan - 2016	7,876	7.28% fixed	7,876	0	7,876	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2015	Nov - 2016	6,498	6.96% fixed	6,498	0	6,498	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Commerzbank AG	Jan - 2015	Jan - 2016	3,265	5.78% fixed	3,265	0	3,265	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	May - 2015	Dec - 2016	4,466	6.72% fixed	4,466	0	4,466	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Intesa SanPaolo S.p.A.	May - 2015	Dec - 2016	2,702	5.52% fixed	2,702	0	2,702	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau BBA Internatio	Feb - 2013	Mar - 2016	4,818	5.5% fixed	4,818	0	4,818	N/A
Sogefi Filtration do Brasil Ltda	Banco do Brasil S.A.	Sep - 2015	Aug - 2018	2,319	17.96% fixed	640	1,679	2,319	N/A
Sogefi Engine Systems Canada Corp.	Ge Capital	May- 2015	May- 2019	3,969	B/A 3m+ 4.207% variable	941	2,799	3,740	YES
Sogefi Filtration S.A.	Banco Sabadell S.A.	May - 2011	May - 2016	7,000	Euribor trim. + 225 bps variable	700	0	700	N/A
S.C Systèmes Moteurs S.r.l	ING Bank	May - 2013	May - 2017	2,459	ROBOR 3M +5.5%	820	262	1,082	N/A
Other loans						11,331	2,042	13,373	
TOTAL						74,445	141,080	215,525	

Line "Other medium/long-term financial debts" includes other minor loans, as well as financial lease payments in accordance with IAS 17.

Balance at December 31, 2014 (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan	Interest rate	Current portion	Non-current portion	Total amount	Real Guarantees
Sogefi S.p.A.	Intesa SanPaolo S.p.A.	Apr - 2011	Dec - 2016	60,000	Euribor 3m + 230 bps variable	8,000	37,736	45,736	N/A
Sogefi S.p.A.	BNP Paribas S.A.	Sep - 2014	Sep - 2019	55,000	Euribor 3m + 290 bps variable	-	24,777	24,777	N/A
Sogefi S.p.A.	Mediobanca S.p.A.	Jul - 2014	Jan - 2016	20,000	Euribor 3m + 170 bps variabile	-	19,948	19,948	N/A
Sogefi S.p.A.	Banca Carige Italia S.p.A.	Jul - 2014	Sep - 2017	25,000	Euribor 3m + 225 bps variable	5,040	9,143	14,183	N/A
Sogefi S.p.A.	Banco do Brasil S.A.	Dec - 2012	Apr - 2017	15,000	Euribor 3m + 315 bps variable	3,750	7,435	11,185	N/A
Sogefi S.p.A.	Unicredit S.p.A.	Jul - 2014	Jul - 2019	50,000	Euribor 3m + 200 bps variable	-	9,748	9,748	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Mar - 2013	Mar - 2016	9,164	9.79% fixed	4,312	4,852	9,164	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	ING Bank	Mar - 2013	Mar - 2016	3,840	9.79% fixed	2,124	1,716	3,840	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Oct - 2014	Jun - 2015	9,567	7.28% fixed	9,567	-	9,567	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Unicredit S.p.A.	Nov - 2014	Jun - 2015	4,612	7.28% fixed	4,612	-	4,612	N/A
Sogefi (Suzhou) Auto Parts Co., Ltd	Commerzbank AG	Dec - 2014	Jun - 2015	3,112	6.42% fixed	3,112	-	3,112	N/A
Allevard Rejna Autosuspensions S.A.	CIC Bank S.A.	May - 2014	May - 2015	4,000	Euribor 12m + 150 bps variable	4,000	-	4,000	N/A
Sogefi Filtration do Brasil Ltda	Banco Itau BBA International S.A.	Feb - 2013	Mar - 2016	6,450	5.5% fixed	-	6,450	6,450	N/A
Sogefi Filtration do Brasil Ltda	Banco do Brasil S.A.	Jul - 2014	Aug -2017	3,517	8% fixed	-	3,517	3,517	N/A
Sogefi Engine Systems Canada Corp.	Ge Capital	Nov - 2012	Nov - 2017	3,022	B/A 3m+4.65% variable	663	1,385	2,048	YES
Sogefi Engine Systems Canada Corp.	Ge Capital	Nov - 2012	Nov - 2017	3,022	6.23% fixed	662	1,392	2,054	YES
Systèmes Moteurs Sas	CIC Bank S.A.	May -2014	May -2015	3,500	Euribor 12m + 150 bps variable	3,500	-	3,500	N/A
Sogefi Filtration S.A.	Banco Sabadell S.A.	May -2011	May -2016	7,000	Euribor 3m + 225 bps variable	1,400	700	2,100	N/A
Other loans						13,766	2,818	16,583	N/A
TOTAL						64,508	131,617	196,124	

Other short-term liabilities for derivative financial instruments

The item includes the short-term portion of the *fair value* of the exchange risk hedging contracts.
Reference should be made to chapter E for a further discussion of this matter.

Other medium/long-term financial debts

As of December 31, 2015, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2015 (in thousands of Euro)	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	105,302	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24,940	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100,000	Fixed coupon 2% year	78,627	N/A
Other financial debts						9,548	
TOTAL						218,417	

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

As of December 31, 2014, details were as follows (in thousands of Euro):

Company	Bank/Credit Institute	Signing date	Due date	Original amount loan (in thousands)	Interest rate	Total amount at December 31, 2014 (in thousands of	Real guarantees
Sogefi S.p.A.	Private placement	May - 2013	May - 2023	USD 115,000	Fixed coupon 600 bps	94,359	N/A
Sogefi S.p.A.	Private placement	May - 2013	May - 2020	Euro 25,000	Fixed coupon 505 bps	24,922	N/A
Sogefi S.p.A.	Equity linked bond	May - 2014	May - 2021	Euro 100,000	Fixed coupon 2% year	75,527	N/A
Other financial debts						8,840	N/A
TOTAL						203,648	

The bond of USD 115,000 thousand increased as a result of the variation into the Euro-to-USD exchange rate (hedged as detailed in section E).

On May 13, 2014, the Board of Directors resolved to issue the convertible bonds "*€ 100,000,000 2 per cent. Equity Linked Bonds due 2021*", which were placed with institutional investors on May 14, 2014. Settlement took place on May 21, 2014 when the bonds were issued and investors paid a subscription price for a total nominal amount of Euro 100 million. Bond term is seven years from date of settlement. The bonds were listed on the Third Market (MTF) of the Vienna Stock Exchange on June 13, 2014 with a minimum denomination of Euro 100 thousand and carry a six-monthly coupon at a fixed annual interest rate of 2%.

The Extraordinary Shareholders' Meeting of September 26, 2014 authorised a share capital increase in cash instalments with the exclusion of the shareholders' option right under article 2441, paragraph 5, of the Italian Civil Code, for a maximum total nominal amount of Euro 9,657,528.92, to be paid up by issuing up to 18,572,171 Sogefi ordinary shares, in one or more instalments, to be exclusively used for said bonds. According to the regulations, the Holding Company Sogefi S.p.A. had the right to settle any conversion by assigning Sogefi ordinary shares, by cash or a combination of ordinary shares and cash.

At maturity date (May 21, 2021), the bonds will be paid back in a single instalment, unless they are redeemed or converted earlier.
Each bondholder may request early redemption in cash up to an amount equal to the nominal value of the Bonds plus accrued interest not yet paid upon occurrence of a Change of Control Event (when a party other than the current controlling parties holds more than 50% of shares with voting rights directly or indirectly, as provided for by the Regulations) and of a Free Float Event (when the Free Float of ordinary shares drops below 20%, as provided for by the Regulations).
The fair value of these options was deemed to be immaterial.

Upon the decision of the Board of Directors of January 19, 2015 and the execution of a formal waiver (Deed Poll), subject to the British law, on January 28, 2015 (notified to the agent on January 29. 2015), the Holding Company Sogefi S.p.A. has unilaterally waived its right to refund the convertible bonds in cash rather than ordinary shares in case of the conversion right being exercised under the bond issue regulations. This waiver is final, unconditional and irrevocable. The matter of the waiver to this right has a similar effect, under the British law, to an amendment to the bond issue regulations.
As at January 28, 2015 the fair value of the option (calculated based on the same model applied on December 31, 2014) amounted to Euro 9,090 thousand (Euro 10,540 thousand at December 31, 2014). This produced a positive effect in the 2015 Income Statement for Euro 1,450 thousand. Moreover, since the execution of the deed poll has a similar effect to an amendment of the bond issue regulations, the Holding Company Sogefi S.p.A. reconsidered the liability-equity classification of the option as recorded at the first posting of the option (upon the expiry of the call option in favour of the Holding Company Sogefi S.p.A. in an irrevocable, final and unconditional fashion). Therefore, on that date the Holding Company Sogefi S.p.A. reclassified the amount for the option described above (Euro 9,090 thousand) under the item "Other medium/long-term financial liabilities for derivative financial instruments" to an equity reserve, since bond holders will have solely the right to convert the bonds in a fixed and pre-arranged number of shares.

The Holding Company Sogefi S.p.A. may fully redeem the bonds early up to the amount of their nominal value plus accrued interest not yet paid in the cases provided for by the Regulations, in line with market practice, where (i) early conversion or redemption rights have been exercised for at least 85% of the original nominal amount of the Bond, and (ii) the trading price of the ordinary shares of the Company exceeds a certain threshold at certain specific dates, as specified in the Regulations.

During the second half of 2015, the Holding Company Sogefi S.p.A. entered into the following new bank loan agreements and utilised their full amounts:

- revolving loan of Euro 20 million obtained from Mediobanca S.p.A. in July 2015, expiring in January 2017, at market rates linked to the 3-month Euribor plus a spread of 130 basis points;
- loan of Euro 30 million, repayable in instalments during the term of the loan, granted by Ing Bank N.V. in July 2015, with final expiry date in September 2020, at market rates linked to the 3-month Euribor plus a spread of 190 basis points;

- loan of Euro 19 million, repayable in instalments during the term of the loan, granted by Banco do Brasil S.A. in September 2015, with final expiry in September 2018, at market rates linked to the 3-month Euribor plus a spread of 130 basis points;
- loan of Euro 10 million, repayable in instalments during the term of the loan, granted by Banca Carige Italia S.p.A. in November 2015, with final expiry in June 2019, at market rates linked to the 6-month Euribor plus a spread of 130 basis points.

When the new loans were taken out, the Holding Company Sogefi S.p.A. redeemed the revolving portions of the loans granted by Intesa Sanpaolo S.p.A. (Euro 30 million) and Unicredit S.p.A. (Euro 10 million). Such revolving portions remain available for draw-down to the Holding Company Sogefi S.p.A. until loan expiry.

It should also be noted that, in November 2014, the Holding Company Sogefi S.p.A. had executed a revolving loan agreement with Société Générale for a total amount of Euro 30 million expiring in November 2019. As at December 31, 2015, the Company has not carried out any draw-down from such loan.

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 below entitled "Analysis of the financial position".

Other medium/long-term financial liabilities for derivative financial instruments

The item includes the medium/long-term portion of the fair value of the interest and exchange risk hedging instruments.
Reference should be made to chapter E 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, the financial cost and the residual liability.

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

(in thousands of Euro)	Instalments	Capital
Within 12 months	1,721	1,252
Between 1 and 5 years	6,508	5,308
Beyond 5 years	3,028	2,827
Total lease payments	11,257	9,387
Interests	(1,870)	-
TOTAL PRESENT VALUE OF LEASE PAYMENTS	9,387	9,387

The contracts included in this item refer to the following subsidiaries:

- Sogefi Filtration Ltd for a long-term rental contract for the production site in Tredegar. The contract expires in September 2022 and the original total amount of the contract was Euro 3,611 thousand; the future capital payments amount to Euro 2,316 thousand and the annual nominal rate of interest applied by the lessor is 11.59%.
The Group has given sureties for this contract.
This rental contract has been accounted for as financial leases, as required by IAS 17, where the present value of the rent payments amounted approximately with the fair value of the asset at the time the contract was signed.

- Allevard Sogefi USA Inc. has entered into the following lease contracts for the Prichard production site relating to:
a) plants, machinery and improvements to the building for an original amount of Euro 1,470 thousand. The contract expires in May 2019, the future capital payments amount to Euro 555 thousand and the annual interest rate applied by the lessor is equal to 3.92%. The Group has given sureties for this contract;
b) plants, machinery and improvements to the building for an original amount of Euro 2,643 thousand. The contract expires in July 2019, the future capital payments amount to Euro 1,088 thousand and the annual interest rate applied by the lessor is equal to 3%. The Group has given sureties for this contract.
c) plants, machinery and improvements to the building for an original amount of Euro 3,992 thousand. Please note that in 2015, subsidiary Allevard Sogefi USA Inc. re-negotiated the financial lease agreement entered into in 2013 after the purchase of new machinery, increasing its value by Euro 1,490 thousand. The new lease agreement provides for the same annual interest rate (3.24%) and term (June 2023). Overall residual principal amount is Euro 5,428 thousand.
The Group has given sureties for this agreement.

There are no restrictions of any nature on these leases. Upon expiry of the contracts ownership of the assets is transferred to the lessee without payment of any purchase price. These contracts are therefore accounted for as financial leases, as required by IAS 17.

17. TRADE AND OTHER CURRENT PAYABLES

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

(in thousands of Euro)	12.31.2015	12.31.2014
Trade and other payables	325,421	309,808
Tax payables	6,071	5,323
TOTAL	331,492	315,131

Details of trade and other payables are as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Due to suppliers	256,544	242,383
Due to the parent company	2,428	142
Due to tax authorities for indirect and other taxes	8,607	10,144
Due to social and security institutions	21,750	20,514
Due to employees	29,719	30,049
Other payables	6,373	6,576
TOTAL	325,421	309,808

Amounts "Due to suppliers " are not interest-bearing and are settled on average in 70 days (74 days at December 31, 2014).
There is no significant concentration of payables due to any one supplier or small group of suppliers.

The amounts "Due to suppliers" increased by Euro 14,161 thousand (by Euro 17,141 thousand exchange rates being equal); this is mainly due to business growth in the last portion of 2015 compared to the same period of 2014.

Amounts "Due to parent company" reflect the consideration of Euro 1,454 thousand due for the fiscal surplus transferred by companies that have joined the CIR Group tax filing system; Euro 898 thousand represent the tax debt in connection with the CIR Group tax filing system, and Euro 76 thousand reflect outstanding Directors' remuneration charged back to the parent company Cir S.p.A. For further details, please refer to note 40.

The decrease in amounts "Due to tax authorities for indirect and other taxes" mainly refers to VAT debts.

18. OTHER CURRENT LIABILITIES

"Other current liabilities" for the amount of Euro 9,686 thousand (Euro 8,096 as of December 31, 2014) include 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. The increase in the item mainly relates to subsidiary Systèmes Moteurs S.A.S. and reflects advances paid by customers for research and development projects.

19. LONG-TERM PROVISIONS AND OTHER PAYABLES

These are made up as follows:

Details of the main items are given below.

(in thousands of Euro)	12.31.2015	12.31.2014
Pension funds	42,575	47,361
Provision for employment termination indemnities	6,316	8,405
Provision for restructuring	5,194	19,296
Provisions for disputes with tax authorities	202	2,179
Provision for phantom stock options	8	-
Provision for product warranties and other risks	23,258	25,874
Agents' termination indemnities	4	102
Lawsuits	1,658	1,109
TOTAL	79,215	104,326

Pension funds

The amount of Euro 42,575 thousand represents the amount set aside at year end by the various Group foreign companies to cover the liabilities of their various pension funds. Changes in the pension funds occurred during the year are shown below:

(in thousands of Euro)	12.31.2015	12.31.2014
Opening balance	47,361	28,445
Cost of benefits charged to income statement	3,941	(153)
"Other Comprehensive Income"	(7,176)	21,063
Contributions paid	(2,921)	(2,722)
Exchange differences	1,370	728
TOTAL	42,575	47,361

The following table shows all of the obligations deriving from "Pension funds" and the present value of the plan assets for the year 2015 and the two previous years.

(in thousands of Euro)	12.31.2015	12.31.2014	12.31.2013
Present value of defined benefit obligations	221,701	222,291	186,866
Fair value of plan assets	179,126	174,930	158,421
Deficit	42,575	47,361	28,445
Liability recorded to "Long-term provisions"	42,575	47,361	31,321
Surplus recorded to "Other receivables"	-	-	(2,876)

Changes in the "Present value of defined benefit obligations" for the year 2015 were as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Present value of defined benefit obligations at the beginning of the period	222,291	186,866
Current service cost	1,647	1,769
Financial expenses	8,128	8,266
Remeasurement (gains)/losses		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(305)	(220)
- Actuarial (gains)/losses arising from changes in financial assumptions	(14,010)	26,351
- Actuarial (gains)/losses arising from experience	(391)	(1,676)
- Actuarial (gains)/losses arising from "Other long-term benefits"- Jubilee benefit	164	(1,102)
Past service cost	-	(1,794)
Contribution paid by plan participants	227	212
Settlements/Curtailments	-	(860)
Exchange differences	12,163	12,053
Benefits paid	(8,213)	(7,574)
Present value of defined benefit obligations at the end of the period	221,701	222,291

"Actuarial (gains)/losses arising from changes in financial assumptions" are mainly due to increasing discounting rate in British pension funds.
"Actuarial (gains)/losses arising from experience adjustments" reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).
"Actuarial (gains)/losses relating to other long-term benefits" mainly relate to subsidiary Filtrauto S.A..

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period; the present value of obligations at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Changes in the fair value of plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2015	12.31.2014
Fair value of plan assets at the beginning of the period	174,930	158,421
Interest income	6,675	7,433
Remeasurement (gains)/losses:		
Return on plan assets	(7,530)	3,392
Non investment expenses	(677)	(1,001)
Contributions paid by the company	1,718	1,447
Contributions paid by the plan participants	227	212
Settlements/curtailments	-	-
Exchange differences	10,792	11,317
Benefits paid	(7,009)	(6,291)
Fair value of plan assets at the end of the period	179,126	174,930

With regard to the balances of companies that use functional currencies other than the Euro, please note that the Income Statement items are translated into Euro using the average exchange rate of the reporting period, whereas the fair value of assets at beginning and end of period was translated at the rate of exchange ruling at the relevant date.

Details of the amounts recognised in "Other comprehensive income" are given below:

(in thousands of Euro)	12.31.2015	12.31.2014
Return on plan assets (excluding amounts included in net interests expenses on net liability (assets))	7,530	(3,392)
Actuarial (gains)/losses arising from changes in demographic assumptions	(305)	(220)
Actuarial (gains)/losses arising from changes in financial assumptions	(14,010)	26,351
Actuarial (gains)/losses arising from experience	(391)	(1,676)
Value of the net liability (asset) to be recognised in "Other Comprehensive income"	(7,176)	21,063

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Current service cost	1,647	1,769
Net interest cost	1,453	833
Past service cost	-	(1,794)
Actuarial (gains)/losses recognised during the year on "Other long-term benefits"- Jubilee benefit	164	(1,102)
Non-management costs of plan assets	677	1,001
Settlements/Curtailments	-	(860)
TOTAL	3,941	(153)

Items "Current service cost", "Past service cost" and "Non-management costs of plan assets" are included in the various "Labour cost" lines of Income Statement items.
Line "Financial expenses, net" is included in "Financial expenses (income), net".
"Actuarial (gains) losses related to jubilee benefits recognized during the year" and "Settlements/Curtailments" are included in "Other non-operating expenses (income)".

Defined-benefit plans expose the Group to the following actuarial risks:

- Investment risk (only applies to British subsidiaries that hold plan assets): the present value of the defined-benefit obligation is calculated at a discount rate determined with reference to returns on AA-rated Eurozone corporate bonds; if the return on plan assets is lower than this rate, the plan will be in deficit. For this reason, and considering the long-term nature of plan liabilities, the British companies' funds diversified their portfolios to include investment in properties, debt instruments and equity instruments.

- Interest risk: a decrease in the discount rate will lead to an increase in plan liability; however, if plan assets are present, such increase will be partially offset by an increase in the return on plan investments.
- Longevity risk: the value of the defined-benefit obligation is calculated taking into account the best possible estimate of the mortality rate of plan beneficiaries; an increase in life expectancy leads to an increase in the resulting obligation.
- Inflation risk/wage inflation risk: the value of the definite-benefit plan with reference to employees in service is calculated taking into account future pay rises and inflation rate: an increase in these elements causes the relevant obligation to increase.

The following table shows the breakdown of "Pension funds" by geographical area of the relevant subsidiaries:

(in thousands of Euro)	12.31.2014			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	196,097	22,536	3,658	222,291
Fair value of plan assets	174,858	-	72	174,930
Deficit	21,239	22,536	3,586	47,361

(in thousands of Euro)	12.31.2015			
	Great Britain	France	Other	TOTAL
Present value of defined benefit obligations	195,409	22,650	3,642	221,701
Fair value of plan assets	179,031	-	95	179,126
Deficit	16,378	22,650	3,547	42,575

Deficit reduction in Great Britain can be traced back mainly to an increase in the discounting rate.

Note that the actuarial valuations of the "Pension funds" are carried out in collaboration with external specialists.

The following paragraphs summarise the pension systems in the geographical areas that affect the Group the most: Great Britain and France.

Great Britain

In Great Britain, pension plans are mainly private, being made with fund management companies and administered independently from the company.
They are classified as defined-benefit plans subject to actuarial valuation that are accounted for according to the corridor approach as provided for by IAS 19.
With regard to plan governance, administrators are representatives of employees, former employees and employer; they are required by law to act in the interest of the fund and of all main stakeholders and are responsible for the investment policies adopted for plan assets.
With regard to the nature of employee benefits, employees are entitled to a post-employment annuity calculated by multiplying a portion of the wage earned at retirement age by the number of years of service until retirement age.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2015	12.31.2014
Discount rate %	3.9	3.6
Expected annual wage rise %	2.2-3.7	2.1-3.6
Annual inflation rate %	2.2-3.2	2.1-3.1
Retirement age	65	65

The higher "Discount rate" versus the previous year reflects the upward trend in returns on AA-rated UK corporate bonds recorded in 2015. The "Discount rate" is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 13 years) adjusted for the longer average duration of the bond (19 years).

Changes in the present value of the UK funds obligation for 2015 and 2014 were as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Present value of defined benefit obligations at the beginning of the period	196,097	158,622
Current service cost	269	172
Financial expenses	7,481	7,370
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	-	-
- Actuarial (gains)/losses arising from changes in financial assumptions	(13,825)	25,694
- Actuarial (gains)/losses arising from experience	-	-
Past service cost	-	(1,731)
Contribution paid by plan participants	227	212
Settlements/Curtailments	-	-
Exchange differences	12,156	12,049
Benefits paid	(6,996)	(6,291)
Present value of defined benefit obligations at the end of the period	195,409	196,097

Changes in the fair value of UK plan assets are illustrated in the table below:

(in thousands of Euro)	12.31.2015	12.31.2014
Fair value of plan assets at the beginning of the period	174,858	158,365
Interest income	6,668	7,428
Remeasurement (gains)/losses:		
Return on plan assets	(7,530)	3,392
Non investment expenses	(677)	(1,001)
Contribution paid by the company	1,696	1,430
Contribution paid by plan participants	227	212
Settlements/Curtailments	-	-
Exchange differences	10,785	11,323
Benefits paid	(6,996)	(6,291)
Fair value of plan assets at the end of the period	179,031	174,858

Allocations of the fair value of plan asset based on type of financial instrument were as follows:

	12.31.2015	12.31.2014
Debt instruments	23.3%	28.2%
Equity instruments	32.2%	44.2%
Real estate investments	0.3%	0.5%
Cash	13.7%	8.6%
Derivatives	28.4%	16.8%
Other assets	2.1%	1.7%
TOTAL	100.0%	100.0%

The fair value of these financial instruments was measured based on quoted prices available in active markets.

Asset allocation at the end of the year 2015 shows an increase in derivative instruments. Such increase reflects a change in the investment strategy aimed at reducing risk, that favours Liability Driven Investment strategies (investment approach that identifies strategic asset allocation based on the liability, albeit implicit, to be hedged). In line with this approach, and in order to improve the efficiency of the investment strategy, investments in derivative instruments were increased to hedge for the exchange, interest rate and inflation risks associated with certain investment strategies.
Please note that the fund's dynamic management strategy requires asset allocation to be adjusted to present economic conditions and future expectations.

Debt instruments are mostly foreign corporate securities. Equity instruments are mostly foreign securities (emerging country securities constitute a minimal share).

The Trustee Board periodically reviews the plan's investment strategies and diversifies them by risk and asset profitability. These strategies take into account the nature and duration of liabilities, the fund's financing needs and the employer's ability to meet the fund's commitments. The fund of subsidiary Sogefi Filtration Ltd uses derivative financial instruments to hedge the risk of changes in liability value connected with inflation, exchange and interest rates.

With regard to the impact of the defined-benefit plan of the UK companies on the Group's future cash flows, expected contributions to the plans for the next year total Euro 1,428 thousand.

Average bond duration as of December 31, 2015 is approximately 19 years.

In compliance with the IAS 19, a sensitivity analysis was performed to determine how the present value of the bond changes as the most significant actuarial assumptions change, other actuarial assumptions being equal.
Considering the peculiar operation of UK funds, the following actuarial assumptions are considered significant:

- Discount rate
- Wage inflation rate
- Life expectancy

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2015	
	+1%	-1%
Discount rate	(31,802)	41,233
Rate of salary increase	2,406	(2,170)

(in thousands of Euro)	12.31.2015	
	+ 1 year	- 1 year
Life expectancy	5,076	(5,125)

France

Pensions in France are essentially based on state pension plans and the responsibility of the company is limited to paying the contributions established by law.

In addition to this basic assistance guaranteed by the state, retiring employees are also entitled to other additional amounts under collective labour agreements that are determined based on length of service and salary level, and are only paid if the employee reaches retirement age in the company. An employee leaving the company before retirement age will lose these additional benefits.

These additional benefits are recognised as a liability for the company and, in accordance with IAS 19, they are considered as defined-benefit plans subject to actuarial valuation.

In addition to the retirement indemnity, a collective labour agreement provides for a "*Jubilee benefit*" (which is calculated with a different method at each different French subsidiary) that vests upon reaching 20, 30, 35 and 40 years of service with the company. Under the IAS 19, this "Jubilee benefit" falls under the residual category of "Other long-term benefits" and is subject to actuarial valuation; actuarial gains (losses) must be recognised in the Income Statement for that year. Employees will lose the bonus falling due upon the different service jubilee bonuses if they leave the company before reaching the years of service mentioned above.

The main assumptions used in the actuarial valuation of these "Pension funds" were as follows:

	12.31.2015	12.31.2014
Discount rate %	2.5	2.4
Expected annual wage rise %	2.5	2.5
Annual inflation rate %	1.8	1.0
Retirement age	62-67	62-67

The "Discount rate" is calculated based on the returns on Eurozone AA-rated corporate bonds (average duration of 15 years).

Changes in the "Present value of defined benefit obligations" were as follows:

(in thousands of Euro)	12.31.2015	12.31.2014
Present value of defined benefit obligations at the beginning of the period	22,536	24,814
Current service cost	1,275	1,529
Financial expenses	541	781
Remeasurement (gains)/losses:		
- Actuarial (gains)/losses arising from changes in demographic assumptions	(305)	(230)
- Actuarial (gains)/losses arising from changes in financial assumptions	(187)	339
- Actuarial (gains)/losses arising from experience	(460)	(1,716)
- Actuarial (gains)/losses related to "Other long-term benefits" - Jubelee benefit	163	(1,099)
Settlements/Curtailments	-	(860)
Benefits paid	(913)	(1,022)
Present value of defined benefit obligations at the end of the period	22,650	22,536

"Actuarial (gains)/losses arising from experience adjustments" reflect the difference between actuarial assumptions and what occurred in practice (for instance, in terms of employee turnover, wage inflation or inflation rate).

The sensitivity analysis of the French funds was performed by varying the following actuarial assumptions:

- Discount rate
- Wage inflation rate

An overview of the changes in the present value of the obligation triggered by changes in these actuarial assumptions is provided below:

(in thousands of Euro)	12.31.2015	
	+1%	-1%
Discount rate	(3,058)	3,528
Rate of salary increase	3,406	(3,070)

Provision for employment termination indemnities

This aspect only concerns the Group's Italian companies, where pensions are represented by state plans and the company's responsibility is limited to regular payment of social contributions each month.
In addition to state-provided pensions, employees are entitled by law to a termination indemnity that accrues in accordance with length of service and is paid when an employee leaves the company.
The termination indemnity is calculated based on the length of service and taxable remuneration of each employee.
The corresponding liability is put aside in a specific provision and the amounts accrued in previous years are subject to annual revaluation based on the official cost-of-life index and at the legal interest rates; it is not associated with any conditions or accrual

periods, nor does it require any financial provision; as a result, there are no assets underlying the provision.
This termination indemnity is considered as a defined-benefit provision, but subject to actuarial valuation for the part relating to the expected future benefits in respect of past service (which is the part subject to annual revaluation).
Further to the amendments to the “Provision for employment termination indemnities” introduced by Law 296 of December 27, 2006 and subsequent decrees and regulations issued in the early part of 2007, for companies with 50 or more employees (Sogefi Rejna S.p.A.), the portions of the provision accruing as from January 1, 2007 are transferred - at employee's option - to supplementary pension funds or to the treasury fund held by INPS (the Italian social security authority) or to supplementary pension schemes, and are considered as “defined-contribution plans”. These amounts therefore do not require actuarial valuation and are no longer booked to the “Provision for employment termination indemnities”. The “Provision for employment termination indemnities” accruing up to December 31, 2006 is still a “defined-benefit plan”, consequently requiring actuarial valuation, which however will no longer take account of the component relating to future wage inflation.
In accordance with the IAS 19, for companies with less than 50 employees (Holding Company Sogefi S.p.A.) the provision is entirely accounted for as a “Definite-benefit plan” and is subject to actuarial valuation.

The assumptions taken into consideration when carrying out the actuarial valuation of the “Provision for employment termination indemnities” were as follows:

- Macroeconomic assumptions:
1. annual discount rate (IBoxx Eurozone Corporate AA Index): 1.39% (0.91% as at December 31, 2014)
2. annual inflation rate: 1.5% for 2016, 1.8% for 2017, 1.8% for 2017, 1.7% for 2018, 1.6% for 2019 and 2% from 2020 onward (as at December 31, 2014: 0.6% for 2015, 1.2% for 2016, 1.5% for 2017 and 2018, and 2% from 2019 onward)
3. annual increase in termination indemnity: 2.625% for 2015, 2.85% for 2017, 2.775% for 2018, 2.7% for 2019 and 3.0% from 2020 onward (as at December 31, 2014: 1.95% for 2015, 2.4% for 2016, 2.625% for 2017 and 2018, and 3% from 2019 onward)

- Demographic assumptions:
1. rate of voluntary resignations: 3% - 10% of the workforce (same assumptions adopted as of December 31, 2014);
2. retirement age: it was assumed that employees would reach the first of the requirements valid for mandatory general social security (same assumptions adopted as of December 31, 2014);
3. probability of death: the RG48 mortality tables produced by the General State Accounting Body were used (same assumptions adopted as of December 31, 2014);
4. probability of advanced settlement: an annual value of 2% - 3% each year was assumed (same assumptions adopted as of December 31, 2014);
5. INPS' table split by age and gender was used for the probability of disability (same assumptions adopted as of December 31, 2014).

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2015	12.31.2014
Opening balance	8,405	7,685
Accruals for the period	(162)	309
Amounts recognised in "Other Comprehensive Income"	(351)	631
Contributions paid	(1,576)	(220)
TOTAL	6,316	8,405

The amounts charged to the Income Statement can be summarised as follows:

(in thousands of Euro)	2015	2014
Current service cost	117	120
Curtailment	(345)	-
Financial charges	66	189
TOTAL	(162)	309

Item "Curtailment" includes an adjustment of Euro 345 thousand made to the provision booked in the previous years.

Average bond duration as of December 31, 2015 is approximately 8 years.

The sensitivity analysis of the provision for employment termination indemnities is outlined below: The table below shows the changes in the provision triggered by changes in the following actuarial assumptions:
- Discount rate
- Wage inflation

(in thousands of Euro)	12.31.2015	
	+0,5%	-0,5%
Discount rate	(211)	223
Rate of salary increase	4	(4)

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)	12.31.2015	12.31.2014
Opening balance	19,296	16,870
Accruals for the period	1,535	11,132
Utilisations	(14,438)	(7,289)
Provisions not used during the period	(440)	(1,138)
Other changes	(373)	(208)
Exchange differences	(386)	(71)
TOTAL	5,194	19,296

"Utilisations" (booked as reductions of provisions previously accrued provisions) relate nearly entirely to the French subsidiaries Filtrauto S.A. and Allevard Rejna Autosupensions S.A. and to subsidiary Sogefi Filtration do Brasil Ltda.

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), total Euro 1,095 thousand; this figure is booked to the Income Statement under "Restructuring costs".

"Other changes" reflect a reclassification to provision for "Lawsuits".

Provisions for disputes with tax authorities

This refers to tax disputes under way with local European and South American tax authorities, for which the appropriate provisions have been made, even though the final outcome is not yet certain.

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2015	12.31.2014
Opening balance	2,179	878
Accruals for the period	70	1,430
Utilisations	(1,482)	(117)
Provisions not used during the period	(500)	-
Exchange differences	(65)	(12)
TOTAL	202	2,179

"Utilisations" for the year mainly relate to subsidiary Systèmes Moteurs S.A.S. as a result of the settlement of a dispute dating back to the 2009-2011 period.

The "Provisions not used during the period" relate to amounts accrued during previous years by the European subsidiaries in excess of amounts actually paid.

Provision for phantom stock options

The provision for Phantom Stock Options refers to the fair value measurement of options related to Phantom Stock Option 2007 incentive plan, still in existence, for the Director who filled the post of Managing Director when the plan was issued. The variation of the fair value, negative by Euro 8 thousand, was recognised in the income statement, in item “Directors' and statutory auditors' remuneration” in 2015.

Provision for product warranties

The provision changed as follows during the period:

(in thousands of Euro)	12.31.2015	12.31.2014
Opening balance	25,874	22,538
Accruals for the period	16,520	5,810
Utilisations	(18,739)	(2,658)
Provisions not used during the period	(17)	(85)
Other changes	(18)	261
Exchange differences	(362)	8
TOTALE	23,258	25,874

The item reflects for the most part liabilities connected with product warranty risks of the Systèmes Moteurs Group.
The item also includes minor provisions for product warranties by Group companies and allocations made to provision for specific risks relating to employees and third parties.

With regard to provision for product warranties, there are claims in progress by two customers relating to a defective component supplied by subsidiary Systèmes Moteurs S.A.S. starting from 2010 before and partly after the subsidiary was acquired by the Sogefi Group. The Company believes that the defect was caused by a thermostat manufactured by a supplier of Systèmes Moteurs S.A.S. 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.

The court appointed a technical expert to write an expert witness report (*expertise*) in June 2012. Merit proceedings were suspended pending submission of the expert witness report. The expert established that the defect was caused by the thermostat manufactured by the supplier of Systèmes Moteurs S.A.S..
In 2014, the two customers joined the *expertise* proceedings and petitioned for their damages to be determined in the expert witness report. Their petition was accepted and the expert's assignment was extended accordingly.
Previously, both customers had requested an out-of-court settlement for damages. To date, neither customer is involved in any other proceedings.

The customers claimed Euro 122.8 million in damages, mostly relating to past and future campaigns and Euro 65.9 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.

With regard to the first amount claimed, each claim was broken down by period of production to reflect the associated production costs. According to the Company's estimates, Euro 60.4 million of the 122.8 million claimed relate to the period before Systèmes Moteurs was purchased by the Sogefi Group, and Euro 26.6 million relate to the 7 following months.
The Company has already paid Euro 3 million by issuing debit notes in favour of customers. In addition, the Company paid Euro 18.0 million to the two customers in the first half of 2015. Systèmes Moteurs S.A.S. paid out these amounts to the above mentioned customers on a provisional basis under standstill agreements, without any admission of liability. Such amounts will be adjusted or partly refunded as required when the Court decides on the merits of the case.

As of June 30, 2015, according to general prudence principles, the Company decided to set aside an additional provision of Euro 11.8 million for product warranties. This amount was reviewed in light of the latest developments at the end of 2015. The Company believes that this provision is still adequate.

With regard to the indemnities owed by the seller of Systèmes Moteurs S.A.S. 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 Europe S.r.l. had provided contractual guarantees relating to defect liability claims existing at the time of the acquisition, including those noted above.
As of December 31, 2015, such indemnification asset has been valued according to IFRS 3.57, and is still believed to be recoverable based on the contractual guarantees given by the seller and the considerations outlined above.
The Sogefi Group has not booked any such assets after 2011.
Sogefi S.p.A. initiated international arbitration proceedings against the seller of Systèmes Moteurs S.A.S.' shares to recover the costs incurred after the Systèmes Moteurs S.A.S. acquisition date, as provided for by the acquisition contract. An arbitration award is expected during the first half of 2016.

It should be noted that these are complex proceedings that involve passing judgement 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 best information available at the time of preparing the financial statements. They are subject to change as events evolve.

Supplementary indemnity reserves for agents and Lawsuits

The provisions changed as follows during the period:

(in thousands of Euro)	12.31.2014	
	Agent's termination indemnities	Lawsuits
Opening balance	96	985
Accruals for the period	6	502
Utilisations	-	(114)
Provisions not used during the period	-	(24)
Other changes	-	(228)
Exchange differences	-	(12)
TOTAL	102	1,109

(in thousands of Euro)	12.31.2015	
	Agent's termination indemnities	Lawsuits
Opening balance	102	1,109
Accruals for the period	-	976
Utilisations	-	(392)
Provisions not used during the period	(98)	(284)
Other changes	-	373
Exchange differences	-	(124)
TOTAL	4	1,658

Amounts stated in the financial statements represent the best possible estimates of liabilities at year-end date.
Item "Lawsuits" includes litigation with employees and third parties. The allocation of Euro 976 thousand mainly relates to subsidiary Filtrauto S.A. for disputes with employees.

Other payables

"Other payables" amount to Euro 9,195 thousand (Euro 6,988 thousand as of December 31, 2014). The increase in the item mainly relates to subsidiary Systèmes Moteurs S.A.S. and reflects costs incurred in research and development projects charged back to customers that will be accounted for as revenue over the life of the project starting at the time capitalised R&D costs are depreciated.
The item includes Euro 6,882 thousand (Euro 6,765 thousand as at December 31, 2014) which reflect the fair value of the liability associated with the exercise price of the put option held by non-controlling shareholders of subsidiary Sogefi M.N.R. Engine Systems India Pvt Ltd with reference to 30% of the share capital of the company resulting from the merger between Sogefi M.N.R. and subsidiary Systèmes Moteurs India Pvt Ltd. The option may be exercised after December 31, 2016. The fair value of such 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 2016 budget and the projections for 2017-2019 of the affected subsidiary. A discount rate of 16.06% was applied and terminal value was calculated using the "perpetual annuity" approach, assuming a growth rate of 7.6%, consistently with the sector performance in the Indian market.
Discount rate was calculated based on weighted average cost of capital and the following parameters (extrapolated from the main financial sources):

- financial structure of the industry: 17.1% (the same as the one used in the impairment test)
- levered beta of the industry: 1.12 (the same as the one used in the impairment test)
- risk-free rate: 7.75% (annual average of risk free rates of 10-year Indian securities)
- risk premium: 8.4%

20. DEFERRED TAX ASSETS AND LIABILITIES

The following details of deferred tax assets and liabilities are provided in light of the IAS/IFRS disclosure requirements.

(in thousands of Euro)	12.31.2015		12.31.2014	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Deferred tax assets:				
Allowance for doubtful accounts	2,552	721	3,273	942
Fixed assets amortisation/writedowns	31,744	9,212	31,329	9,750
Inventory writedowns	4,421	1,466	5,645	1,865
Provisions for restructuring	882	291	9,383	3,169
Other provisions - Other payables	78,819	24,454	77,326	23,409
Fair value derivative financial instruments	11,473	2,754	16,299	4,483
Other	12,371	3,797	17,851	5,669
Deferred tax assets for tax losses incurred during the year	5,962	2,009	17,563	4,944
Deferred tax assets for tax losses incurred during previous years	66,338	20,597	53,009	16,895
TOTAL	214,562	65,301	231,678	71,126
Deferred tax liabilities:				
Accelerated/excess depreciation and amortisation	68,490	18,704	72,637	20,119
Difference in inventory valuation methods	622	155	758	204
Capitalisation of R&D costs	44,785	14,968	46,955	15,796
Other	27,044	2,437	32,666	2,745
TOTAL	140,941	36,264	153,016	38,864
Deferred tax assets (liabilities) net		29,037		32,262
Temporary differences excluded from the calculation of deferred tax assets (liabilities):				
Tax losses carried forward	100,779	32,532	88,670	28,223

The tax effect has been calculated on the basis of the rates applicable in the various countries, which are in line with those of the previous year, except for the tax rate applicable to UK subsidiaries, which decreased from 20% to 19%, and that applicable to Italian companies, which decreased from 27.5% to 24% for deferred tax expected to be reversed starting in 2017.

The decrease in "Deferred tax assets (liabilities), net" compared with December 31, 2014 amounts to Euro 3,225 thousand and differs by Euro 2,920 thousand from the amount shown in the Income Statement under "Income taxes – Deferred tax liabilities (assets)" (Euro 305 thousand) due to:
- movements in financial items that did not have any effect on the income statement and therefore the related negative tax effect amounting to Euro 3,583 thousand has been accounted for as Other comprehensive income (expenses) (negative effect of the fair value of derivatives designated as cash flow hedges was Euro 1,731 thousand; negative effect of actuarial gains/losses arising from the adoption of the IAS 19 was Euro 1,852 thousand);
- negative effect of tax losses of previous years reclassified from deferred tax assets to amounts receivable from CIR for Euro 514 thousand (without any impact on the consolidated income statement); this amount reflects the share of tax losses for the year 2014 offset by taxable income generated in 2015 by the CIR Group tax filing system that the Company has joined);
- exchange differences with a positive effect of Euro 1,177 thousand.

The decrease in the tax effect relating to item "Provisions for restructuring" mainly arises from the outlay of amounts previously accrued to provisions for restructuring at subsidiary Filtrauto S.A..

The increase in the tax effect relating to item "Other provisions - Other payables" mostly originates from an increase in the liabilities associated with provisions for product warranty risks.

The decrease in the tax effect relating to item "Fair value of derivatives" mainly relates to the Holding Company Sogefi S.p.A. and reflects the increased fair value of CCS contracts as well as the portion of reserve previously booked to Other comprehensive income relating to IRS contracts no longer designated for hedge accounting recognised in Income Statement.

Item "Other" of deferred tax assets includes various types of items, such as for example costs for which tax deduction is deferred (for example, amounts allocated to remuneration accrued in 2015 not yet paid).

"Deferred tax assets for tax losses incurred during the year" relate to the following companies:

- French subsidiaries Allevard Rejna Autosuspensions S.A. for Euro 887 thousand, Systèmes Moteurs S.A.S. for Euro 478 thousand and Filtrauto S.A. for Euro 529 thousand. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised;

- subsidiary Sogefi Filtration S.A. for Euro 115 thousand. These taxes were recognised because it is believed to be probable that taxable income will be available in the future against which such tax losses can be utilised.

"Deferred tax assets for tax losses incurred during the year" relate to the Holding Company Sogefi S.p.A. (Euro 3,495 thousand, Euro 4,261 thousand as of December 31, 2014) and to subsidiaries Sogefi Rejna S.p.A. (Euro 49 thousand, accrued in 2014), Allevard Sogefi U.S.A. Inc. (Euro 8,615 thousand; Euro 7,725 thousand as of December 31, 2014: the increase in the amount is due to the effect of exchange rates - the amount in USD is unchanged from 2014, as the deferred tax assets utilised after the positive result in 2015 were compensated for by new deferred tax assets on losses in previous years), Allevard Rejna Autosupensions S.A. (Euro 3,356 thousand; unchanged compared to December 31, 2014), Sogefi Filtration Ltd (Euro 1,737 thousand; Euro 2,284 thousand as of December 31, 2014), Sogefi Filtration S.A. (Euro 2,081 thousand; Euro 2,111 thousand as of December 31, 2014), United Springs S.A.S. (Euro 717 thousand; Euro 872 thousand as of December 31, 2014) and Systèmes Moteurs S.A.S. (Euro 547 thousand, unchanged compared to December 31, 2014). These taxes were recognised because it is believed to be probable that taxable income will be available in the future 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. It should also be noted that the losses incurred by the UK and the Spain subsidiaries can be carried forward indefinitely. The losses of the French subsidiaries can be carried forward indefinitely but the new law passed in 2012 has maintained a limit for the amount that can be utilised each year, making recovery time longer. The losses of the US subsidiary can be carried forward over a period of up to 20 years since they were incurred. The losses of the Holding Company Sogefi S.p.A. and of subsidiary Sogefi Rejna S.p.A. are likely to be recovered taking into account that the companies have joined the CIR Group tax filing system in the past.

Note that the deferred tax assets relating to the "Allowance for doubtful accounts" and to the "Inventory writedowns" include amounts that will mainly be reversed in the twelve months following year end.

Column "Amount of temporary differences" of item "Other" of deferred tax liabilities includes: Euro 21,375 thousand relating to dividends expected to be paid to the French and Canadian subsidiaries in the short term, subject to a 3% and 5% tax rate, respectively, at the time payment; Euro 1,846 thousand relating to the taxed portion of dividends expected to be paid to the French subsidiaries and the Holding Company Sogefi S.p.A. in the short term; other minor items for Euro 3,823 thousand.

As regards the figures shown under "Temporary differences excluded from the calculation of deferred tax assets (liabilities)", deferred tax assets were not booked as, at year end, there was not a probability that they would be recovered. "Tax losses carried forward" mainly relate to subsidiaries Allevard Sogefi U.S.A. Inc. (down from the previous year after they were offset against the positive result of 2015), Allevard Rejna Autosupensions S.A. (portion of losses not recognised in deferred tax assets because it can not be recovered in the specific period of the company's long-term plan), Sogefi

Filtration Ltd (portion of losses not recognised in deferred tax assets because it can not be recovered in the specific period of the company's long-term plan), Sogefi Filtration do Brasil Ltda, Allevard Rejna Argentina S.A., S. ARA Composite S.A.S., Chinese and Indian subsidiaries.

Please note that the deferred tax assets recognised in the previous years by subsidiaries Sogefi Filtration do Brasil Ltda and Allevard Rejna Argentina S.A. were written down (for an amount of approximately Euro 2,900 thousand) in 2015 as they are deemed to be no longer recoverable because of the deteriorated macroeconomic local context.

21. 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 61,681 thousand as of December 31, 2015 (Euro 61,631 thousand as of December 31, 2014), split into 118,618,055 ordinary shares with a par value of Euro 0.52 each.

Share capital increased from Euro 61,631 thousand (split into 118,521,055 shares) to Euro 61,681 thousand (split into 11,618,055 shares) in 2015. All ordinary shares are fully paid up. No shares are encumbered by rights, liens or limitations relating to dividend distribution.

As of December 31, 2015, the Company has 3,252,144 treasury shares in its portfolio, corresponding to 2.74% of share capital.

Movements in the shares outstanding are as follows:

(Shares outstanding)	2015	2014
No. shares at start of period	118,521,055	117,222,292
No. shares issued for subscription of stock options	97,000	1,298,763
No. of ordinary shares as of December 31	118,618,055	118,521,055
No. shares issued for subscription of stock options booked to "Other reserves" at December 31, 2013	-	-
Treasury shares	(3,252,144)	(3,430,133)
No. of shares outstanding as of December 31	115,365,911	115,090,922

The following table shows the changes in the Group's equity:

Shareholder's equity of the Group

(in thousands of Euro)	*Share capital*	*Share premium reserve*	*Reserve for treasury shares*	*Treasury shares*	*Translation reserve*	*Legal reserve*	*Cash flow hedging reserve*	*Share-based incentive plans 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, 2013	*60,924*	*11,720*	*8,592*	*(8,592)*	*12,320*	*4,603*	*(27,660)*	*(16,788)*	*(15,255)*	*8,002*	*3,237*	*106,260*	*21,124*	*168,487*
Paid share capital increase	707	1,942	-	-	-	-	-	-	-	-	(126)	-	-	2,523
Allocation of 2013 net profit:														
Legal reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	21,124	(21,124)	-
Recognition of share-based incentive plans	-	-	-	-	-	852	-	-	-	-	-	-	-	852
Other changes	-	761	(761)	761	-	(724)	-	-	-	-	-	(3,078)	-	(3,041)
Fair value measurement of cash flow hedging instruments: share booked to OCI	-	-	-	-	-	-	-	(9,413)	-	-	-	-	-	(9,413)
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	-	9,603	-	-	-	-	-	9,603
Actuarial gain/loss	-	-	-	-	-	-	-	-	(21,694)	-	-	-	-	(21,694)
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	4,146	-	-	-	4,146
Currency translation differences	-	-	-	-	-	-	6,116	-	-	-	-	-	-	6,116
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	3,639	3,639
Balance at December 31, 2014	*61,631*	*14,423*	*7,831*	*(7,831)*	*12,340*	*4,731*	*(21,544)*	*(16,598)*	*(36,949)*	*12,148*	*3,111*	*124,286*	*3,639*	*161,218*
Paid share capital increase	50	95	-	-	-	-	-	-	-	-	-	-	-	145
Allocation of 2014 net profit:														
Legal reserve	-	-	-	-	300	-	-	-	-	-	-	(300)	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	3,639	(3,639)	-
Recognition of share-based incentive plans	-	-	-	-	-	642	-	-	-	-	-	-	-	642
Fair value measurement of embedded derivative (conversion option)	-	-	-	-	-	-	-	-	-	-	9,090	-	-	9,090
Other changes	-	406	(406)	406	-	(712)	-	-	-	-	-	202	-	(104)
Fair value measurement of cash flow hedging instruments: share booked to OCI	-	-	-	-	-	-	-	1,336	-	-	-	-	-	1,336
Fair value measurement of cash flow hedging instruments: share booked to income statement	-	-	-	-	-	-	-	3,495	-	-	-	-	-	3,495
Actuarial gain/loss	-	-	-	-	-	-	-	-	7,527	-	-	-	-	7,527
Tax on items booked in Other Comprehensive Income	-	-	-	-	-	-	-	-	-	(3,583)	-	-	-	(3,583)
Currency translation differences	-	-	-	-	-	-	(10,043)	-	-	-	-	-	-	(10,043)
Net result for the period	-	-	-	-	-	-	-	-	-	-	-	-	1,120	1,120
Balance at December 31, 2015	61,681	14,924	7,425	(7,425)	12,640	4,661	(31,587)	(11,767)	(29,422)	8,565	12,201	127,827	1,120	170,843

Share premium reserve
It amounts to Euro 14,924 thousand compared with Euro 14,423 thousand in the previous year.
The increase by Euro 95 thousand accounts for share subscriptions under stock option plans.
In 2015, the Holding Company Sogefi S.p.A. credited Euro 406 thousand to the Share premium reserve after the free grant of 177,989 treasury shares to 2011, 2012 and 2013 Stock Grant beneficiaries.

Treasury shares
Item "Treasury shares" reflects the purchase price of treasury shares. Movements during the year amount to Euro 406 thousand and reflect the free grant of 177,989 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 on the translation of foreign subsidiaries' financial statements.
Movements in the period show a decrease of Euro 10,043 thousand mainly attributable to the depreciation of Argentine peso, Brazilian real and Canadian dollar against the Euro.

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 January 1, 2012. The item also includes actuarial gains and losses accrued after January 1, 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 4,831 thousand which breaks down as follows:

- increase of Euro 1,901 thousand as a consequence of the change after December 31, 2014 in the fair value of the existing effective hedging contracts;
- increase of Euro 2,930 thousand reflecting the portion of reserve relating to contracts no longer in hedge accounting that will be recognised in 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 November 7, 2002, including the portion relating to the stock grant plan approved in 2015.
In 2015, further to Stock Grant Plan beneficiaries exercising their rights and due to the corresponding free grant of 177,989 treasury shares, the amount of Euro 393 thousand, corresponding to the fair value at right (Unit) allocation date, was reclassified from "Stock- based incentive plans reserve" increasing the "Share premium reserve" (for Euro 406 thousand) and decreasing "Retained earnings reserve" (for Euro 13 thousand).

In 2015, the amount of Euro 319 thousand was reclassified in "Retained earnings reserve" after stock option plans expired and the 2011 stock grant plan was cancelled because the Performance Units did not meet market conditions.
While the increase by Euro 642 thousand refers to the cost of accruing plans.

Other reserves
This item amounts to Euro 12,201 thousand (Euro 3,111 thousand as of December 31, 2014).

Upon the decision of the Board of Directors of January 19, 2015 and the execution of a formal waiver (Deed Poll), subject to the British law, on January 28, 2015 (notified to the agent on January 29, 2015), the Holding Company Sogefi S.p.A. has unilaterally waived its right to refund the convertible bonds in cash rather than ordinary shares in case of the conversion right being exercised under the bond issue regulations. This waiver is final, unconditional and irrevocable. The matter of the waiver to this right has a similar effect, under the British law, to an amendment to the bond issue regulations. The Holding Company Sogefi S.p.A. reviewed the liability-equity classification of the option made upon initial recognition of the option (because the call option rights granted to the Company were waived irrevocably, finally and unconditionally). As a result, the Holding Company Sogefi S.p.A. reclassified the fair value of the option of Euro 9,090 thousand (calculated based on the same model applied on December 31, 2014) from "Other medium/long-term liabilities for derivative financial instruments" to "Other reserves – convertible debt equity components".

Retained earnings
These totalled Euro 127,827 thousand and include amounts of profit that have not been distributed.
The increase of Euro 202 thousand refers to the following events:

- the interest held by subsidiary Allevard Rejna Autosuspensions S.A. in subsidiary Allevard IAI Suspensions Pvt Ltd. increased from 73.91% to 74.23% through a share capital increase not subscribed by non-controlling interests that led to an amount of Euro 7 thousand being reclassified between non-controlling interests and Group's shareholders' equity;
- the interest held by subsidiary Allevard Rejna Autosuspensions S.A. in S.ARA Composite S.A.S. increased from 95% to 90.91% through a share capital increase not subscribed by non-controlling interests that led to an amount of Euro 97 thousand being reclassified between non-controlling interests and Group's shareholders' equity;
- reclassification of the above mentioned "Stock-based incentive plans reserve" as outlined above (Euro 306 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)	2015			2014		
	Gross value	Taxes	Net value	Gross value	Taxes	Net value
- Profit (loss) booked to cash flow hedging reserve	4,831	(1,731)	3,100	190	5,316	5,506
- Actuarial gain (loss)	7,527	(1,852)	5,675	(21,698)	(1,170)	(22,868)
- Profit (loss) booked to translation reserve	(9,834)	-	(9,834)	6,837	-	6,837
- Total Profit (loss) booked in Other Comprehensive Income	2,524	(3,583)	(1,059)	(14,671)	4,146	(10,525)

Tax constraints applicable to certain reserves

The equity of Holding Company Sogefi S.p.A. includes Reserves under tax suspension and its share capital is subject to constraints under tax suspension after revaluation reserves were utilised in the past, for a total amount of Euro 24,164 thousand.
The Holding Company has made no allocations for deferred tax liabilities to such reserves,
that, if distributed, would count towards taxable income of the Company, because it is not deemed likely that they will be distributed.

Non-controlling interests

The balance amounts to Euro 19,553 thousand and refers to the portion of shareholders' equity attributable to non-controlling interests.

The reserve increased by Euro 104 thousand during the year (decrease is booked to "Other changes" in the "Consolidated Statement of Changes in Equity") traced back to the above mentioned changes in the interest held in subsidiaries S.ARA Composite S.A.S. (Euro 97 thousand) and Allevard IAI Suspensions Pvt Ltd. (Euro 7 thousand).

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	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
S.ARA Composite S.A.S.	France	5.00%	6.29%	(159)	(116)	463	524
Iberica de Suspensiones S.L.	Spain	50.00%	50.00%	4,239	4,103	15,557	15,417
Shanghai Allevard Spring Co., Ltd	China	39.42%	39.42%	(74)	209	3,003	3,138
Allevard IAI Supensions Pvt Ltd	India	25.77%	26.09%	(80)	(136)	461	425
Sogefi M.N.R. Filtration India Pvt Ltd	India	30.00%	40.00%	-	696	-	-
Other		0.12%	0.12%	5	-	69	64
TOTAL				3,931	4,756	19,553	19,568

As required by IFRS 12, an overview of the key financial indicators of the companies showing significant non-controlling interests:

(in thousands of Euro)

Company	*Shanghai Allevard Spring Co., Ltd*		*Iberica de Suspensiones S.L.*		*Sogefi M.N.R. Filtration India Pvt Ltd*	
	12.31.2015	12.31.2014	12.31.2015	12.31.2014	12.31.2015	12.31.2014
Current Assets	5,380	5,635	35,232	33,412	21,304	13,398
Non-current Assets	3,667	3,729	9,060	9,767	13,211	10,629
Current Liabilities	1,150	1,129	12,302	12,169	15,990	10,969
Non-current Liabilities	-	-	877	174	4,315	3,183
Shareholders' equity attributable to the Holding Company	4,894	5,097	15,557	15,418	17,995	5,918
Non-controlling interests	3,003	3,138	15,557	15,417	-	3,945
	-	-	-	-	-	-
Sales Revenue	4,175	6,189	68,685	64,331	37,790	27,064
Variable cost of sales	2,462	3,626	41,223	38,638	26,262	18,732
Other variable costs of sales	272	423	4,706	3,940	1,009	713
Fixed expenses	1,570	1,445	10,693	10,568	5,439	4,011
Non-operating expenses (income)	28	20	805	246	678	103
Income taxes	29	145	2,779	2,731	(3)	955
Income (loss) for the period	(186)	530	8,479	8,208	4,405	2,550
Income (loss) attributable to the Holding Company	(113)	320	4,240	4,104	3,739	1,286
Income (loss) attributable to non-controlling interests	(74)	209	4,239	4,103	-	696
Income (loss) for the period	(187)	529	8,479	8,207	3,739	1,982
OCI attributable to the Holding Company	279	483	-	-	(3,239)	557
OCI attributable to non-controlling interests	181	314	-	-	-	364
OCI for the period	460	797	-	-	(3,239)	403
Total income (losses) attributable to the Holding Company	166	803	4,240	4,104	500	1,843
Total income (losses) attributable to non-controlling interests	107	523	4,239	4,103	-	1,060
Total income (losses) for the period	273	1,326	8,479	8,207	500	2,385
Dividends paid to non-controlling interests	241	97	4,100	2,500	-	-
Net cash inflow (out flow) from operating activities	881	1,200	11,645	10,568	3,215	2,964
Net cash inflow (out flow) from investing activities	(84)	(316)	1,801	(1,515)	(2,818)	(3,417)
Net cash inflow (out flow) from financing activities	(612)	(857)	(8,200)	(5,000)	(221)	181
Net cash inflow (out flow)	185	27	5,246	4,053	176	(272)