

## **D) NOTES ON THE MAIN INCOME STATEMENT ITEMS: INCOME STATEMENT**

### **23. SALES REVENUES**

#### ***Revenues from sales and services***

The Sogefi Group recorded revenues for Euro 1.5 billion, up 11.1% (+9.1% exchange rates being equal) thanks to the positive performance of all business units and all geographical areas except for Latin America.

Revenues from the sale of goods and services are as follows:

(in thousands of Euro)	2015		2014	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Air&Cooling	409,281	27.3	374,312	27.7
Suspensions	558,015	37.2	506,609	37.5
Filtration	536,443	35.8	473,724	35.2
Intercompany eliminations	(4,689)	(0.3)	(5,254)	(0.4)
<b>TOTAL</b>	<b>1,499,050</b>	<b>100.0</b>	<b>1,349,391</b>	<b>100.0</b>

In 2015, all business units achieved significant revenue growth. Suspensions sales increased by 10.1% (+9.2% exchange rates being equal) over the previous year, as they benefited from a positive turn in car-related business in Europe and a growing market share in South America.

The sales of the Filtration business unit increased by 13.2% (+10% exchange rates being equal) during 2015, driven by growth in North America and by the original equipment business in Europe.

The sales of the Air&Cooling business unit grew by 9.3% over 2014 (+7.5% exchange rates being equal), boosted by the increased market share in North America.

By geographical area of "destination":

(in thousands of Euro)	2015		2014	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Europe	943,796	63.0	872,100	64.6
Mercosur	174,487	11.6	181,362	13.5
Nafta	264,120	17.6	207,331	15.4
Asia	111,135	7.4	82,662	6.1
Rest of the World	5,512	0.4	5,936	0.4
<b>TOTAL</b>	<b>1,499,050</b>	<b>100.0</b>	<b>1,349,391</b>	<b>100.0</b>

The impact of non-European countries on total revenues rose to 37% in 2015 (35.4% in 2014), up 1.6 percentage points thanks to the good performance in North America and Asia, which more than compensated for the sluggish performance of South American markets.

Market recovery in Europe – Sogefi's largest market – propelled revenues by 8.2% in

2015, thanks to the positive performance of all business areas.

Sogefi recorded better market performance in North America thanks to its positioning towards local auto makers.

In South America, revenues for the year dropped by 3.8% (+2.8% exchange rates being equal) in spite of a 20.5% downturn in the market, thanks to the positive contribution of the Suspensions business.

In 2015, revenues in Asia increased by 34.4% (18.7% exchange rates being equal).

## 24. VARIABLE COST OF SALES

Details are as follows:

(in thousands of Euro)	2015	2014
Materials	805,668	719,564
Direct labour cost (*)	123,118	112,898
Energy costs	38,163	35,775
Sub-contracted work	37,591	26,357
Ancillary materials	20,338	18,454
Variable sales and distribution costs (*)	50,655	43,250
Royalties paid to third parties on sales	5,223	4,453
Other variable costs	(1,627)	(732)
<b>TOTAL</b>	<b>1,079,129</b>	<b>960,019</b>

(\*) The reclassification of certain cost items was reviewed in 2015. The following 2014 balances were reclassified to allow for a comparison:

- Euro 5,400 thousand were reclassified from “Variable sales and distribution costs” to “Other non-operating expenses (income)” reflecting an allocation made to Provision for product warranties;
- Euro 1,393 thousand were reclassified from “Direct labour cost” to “Labour cost” of item “Manufacturing and R&D overheads”; Euro 389 thousand were reclassified from “Direct labour cost” to “Labour cost” of item “Distribution and sales fixed expenses” after the allocation between overheads and variable costs was reviewed.

Pressure on margins increased during 2015, and this enhanced the impact of variable costs on sales revenues, which rose from 71.1% in 2014 to 72% in 2015.

“Other variable costs” represent the effect generated by direct labour cost and fixed cost associated with the increase in the inventory of finished goods or semi-finished products.

## 25. MANUFACTURING AND R&D OVERHEADS

These can be broken down as follows:

(in thousands of Euro)	2015	2014
Labour cost (*)	108,965	104,060
Materials, maintenance and repairs	31,050	27,044
Rental and hire charges	10,189	9,301
Personnel services	8,506	7,544
Technical consulting	7,157	4,360
Sub-contracted work	1,674	2,215
Insurance	2,862	2,531
Utilities	4,779	4,207
Capitalization of internal construction costs	(28,596)	(31,562)
Other	(541)	(906)
<b>TOTAL</b>	<b>146,045</b>	<b>128,794</b>

(\*) The reclassification of certain cost items was reviewed in 2015. The following 2014 balances were reclassified to allow for a comparison:

- Euro 1,393 thousand were reclassified from “Direct labour cost” of item “Variable cost of sales” to “Labour cost” after the allocation between overheads and variable costs was reviewed.

“Manufacturing and R&D overheads” show an increase of Euro 17,251 thousand. Exchange rates being equal, this item would have increased by Euro 15,404 thousand.

The most significant changes are discussed below:

The increase by Euro 4,905 thousand in “Labour cost” is mainly traced back to the following factors:

- increase of approximately Euro 1,780 thousand for subsidiary Systèmes Moteurs S.A.S. as a result of an increase in workforce due to new Research and Development projects;
- increase of approximately Euro 1,162 thousand for the Chinese subsidiary Sogefi (Suzhou) Auto Parts Co. Ltd mainly due to business growth;
- increase of approximately Euro 965 thousand in the costs incurred by the US subsidiary Sogefi Engine Systems USA, Inc due to an increase in workforce due to new research and development projects.

“Materials, maintenance and repairs” grew by Euro 4,006 thousand, mainly pertaining to subsidiary Systèmes Moteurs S.A.S, the European subsidiaries of the Suspensions business unit and subsidiary Allevard Rejna Argentina S.A..

“Rental and hire charges” increased by Euro 888 thousand. This increase is mainly due to subsidiary Sogefi Filtration do Brasil Ltda relocating production to a new plant and still paying the rent for the old plant for a certain period of time.

“Personnel services” increased by Euro 962 thousand mainly in the subsidiaries Systèmes Moteurs S.A.S, Sogefi Filtration d.o.o. and Sogefi (Suzhou) Auto Parts Co. Ltd.

“Technical consulting” grew by Euro 2,797 thousand for the most part due to increased quality control costs incurred by the French subsidiary Systèmes Moteurs S.A.S..

“Sub-contracted work” decreased by Euro 541 thousand as Research and Development entered into less temporary employment contracts.

“Other” shows a negative balance because it includes the Research and Development grants obtained mainly by the French subsidiaries.

Item “Capitalization of internal construction costs” mainly reflects product development costs capitalised when their future benefit is deemed to be reasonably certain.

Total costs for Research and Development (not reported in the table) excluding capitalization amount to Euro 35,532 thousand (stable at 2.4% of sales).

## 26. DEPRECIATION AND AMORTISATION

Details are as follows:

(in thousands of Euro)	2015	2014
Depreciation of tangible fixed assets	37,082	35,328
<i>of which: assets under finance leases</i>	<i>1,200</i>	<i>1,071</i>
Amortisation of intangible assets	27,289	22,675
<b>TOTAL</b>	<b>64,371</b>	<b>58,003</b>

Item “Depreciation and amortisation” amounts to Euro 64,371 thousand and increased by Euro 6,368 thousand compared to the previous year. Exchange rates being equal, the increment would have been Euro 4,953 thousand.

Depreciation of tangible assets amounts to Euro 37,082 thousand, and shows an increase of Euro 1,754 thousand compared to 2014, of which Euro 912 thousand reflect the effect of exchange rates.

Amortisation of intangible assets increased by Euro 4,614 thousand. Exchange rates being equal, it would have increased by Euro 4,041 thousand, of which Euro 933 thousand relate to the amortisation of the new Group information system in the Holding Company Sogefi S.p.A., whereas the remaining portion reflects R&D costs.

## 27. DISTRIBUTION AND SALES FIXED EXPENSES

This item is made up of the following main components:

(in thousands of Euro)	2015	2014
Labour cost (*)	27,061	25,318
Sub-contracted work	6,505	5,874
Advertising, publicity and promotion	4,269	3,857
Personnel services	3,263	3,228
Rental and hire charges	1,838	1,775
Consulting	1,160	1,204
Other	1,102	577
TOTAL	45,198	41,833

(\*) The reclassification of certain cost items was reviewed in 2015. The following 2014 balances were reclassified to allow for a comparison:

- Euro 389 thousand were reclassified from “Direct labour cost” of item “Variable cost of sales” to “Labour cost” after the allocation between overheads and variable costs was reviewed.

“Distribution and sales fixed expenses” increased by Euro 3,365 thousand compared to the previous year. Exchange rates being equal, this item would have increased by Euro 2,951 thousand.

The increase by Euro 1,743 thousand in “Labour cost” is mainly traced back to the following factors:

- increase in the workforce of subsidiary Sogefi Engine Systems USA, Inc.
- expansion of the sales organisation of French subsidiary Filtrauto S.A..

The increase in items “Sub-contracted work” (by Euro 631 thousand) is connected with an external warehouse taken on lease by subsidiary Systèmes Moteurs S.A.S., Lpdm GmbH and Sogefi (Suzhou) Auto Parts Co., Ltd.

“Advertising, publicity and promotion” increased by Euro 412 thousand due to new advertising campaigns addressed to the aftermarket segment.

Lastly, the item “Other” increased by Euro 525 thousand as subsidiary Sogefi Filtration do Brasil Ltda took an external warehouse on lease for its aftermarket business.

## 28. ADMINISTRATIVE AND GENERAL EXPENSES

These can be broken down as follows:

(in thousands of Euro)	2015	2014
Labour cost	38,496	37,712
Personnel services	4,870	5,862
Maintenance and repairs	1,427	1,972
Cleaning and security	1,812	2,007
Consulting	5,699	9,794
Utilities	3,478	3,367
Rental and hire charges	3,903	4,136
Insurance	1,856	1,449
<i>Participation des salaires</i>	524	699
Administrative, financial and tax-related services provided by Parent Company	850	1,350
Audit fees and related expenses	1,622	1,409
Directors' and statutory auditors' remuneration	774	1,612
Sub-contracted work	461	639
Capitalization of internal construction costs	(1,867)	(7,204)
Other	8,379	6,151
<b>TOTAL</b>	<b>72,284</b>	<b>70,955</b>

“Administrative and general expenses” increased by Euro 1,329 thousand compared to 2014, which would have been Euro 254 thousand exchange rates being equal.

The increase in “Labour cost”, for the amount of Euro 784 thousand, mainly reflects newly hired workforce in the IT department engaged in the management of IT systems at subsidiary Filtrauto S.A. and an increase in workforce at subsidiary Sogefi Engine Systems USA, Inc.

The decrease in item “Personnel services” for the amount of Euro 992 thousand mainly refers to travel expenses incurred by subsidiaries Filtrauto S.A. and Systèmes Moteurs S.A.S. and by the Holding Company Sogefi S.p.A., also due to the decreased workforce of the Holding Company.

“Maintenance and repairs” decreased by Euro 545 thousand, mainly thanks to lower maintenance costs incurred in the IT departments of subsidiaries Filtrauto S.A. and Allevard Rejna Autosuspensions S.A..

The decrease in item “Consulting” by Euro 4,140 thousand mainly refers to the French subsidiary Filtrauto S.A. and reflects a lower level of services by third parties in the IT area as well as lower administrative and fiscal consulting expenses incurred by the Holding Company Sogefi S.p.A. compared to 2014.

The integrated Group information system also resulted in decreased “Capitalization of internal construction costs” – by Euro 5,337 thousand – relating to the Holding Company Sogefi S.p.A. for lower capitalised assets compared to the previous year.

Item “Insurance” increased by Euro 407 thousand, mostly due to Group risk coverage.

Services provided by the parent company CIR S.p.A. amounted to Euro 850 thousand (Euro 1,350 thousand in 2014). As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., its Parent Company, in areas such as strategic development, disposals and acquisitions, and services of an administrative, financial, fiscal and corporate nature.

“Directors' and statutory auditors' remuneration” decreased by Euro 838 thousand; this is mostly traced back to the Holding Company Sogefi S.p.A., that had incurred higher non-recurring expenses when the Director who acted as Managing Director at the date of issue of the relevant plan exercised the 2008 Phantom Stock option plan in 2014.

The increase in “Other” of Euro 2,228 thousand reflects other overheads and administrative costs incurred for the most part by subsidiaries Sogefi Engine Systems USA, Inc. and Filtrauto S.A.. Please note also that the 2014 balance included a benefit arising when a provision for risk of the German subsidiary LDPN GmbH was decreased by Euro 290 thousand.

## 29. PERSONNEL COSTS

### *Personnel*

Regardless of their destination, “Personnel costs” as a whole can be broken down as follows:

(in thousands of Euro)	2015	2014
Wages, salaries and contributions	293,194	276,834
Pension costs: defined benefit plans	2,441	1,096
Pension costs: defined contribution plans	2,018	2,026
<i>Participation des salaries</i>	524	699
Imputed cost of stock option and stock grant plans	642	852
Other costs	332	334
<b>TOTAL</b>	<b>299,151</b>	<b>281,841</b>

“Personnel costs” increased by Euro 17,310 thousand (+6.1%) compared to the previous period. Exchange rates being equal, “Personnel costs” would have increased by Euro 13,344 thousand (+4.7%).

The impact of “Personnel costs” on sales revenues falls from 20.9% in the previous year to 19.9% in the current year.

“Wages, salaries and contributions”, “Pension costs: defined benefit plans” and “Pension costs: defined contribution plans” are posted in the tables provided above at lines “Labour cost” and “Administrative and general expenses”.

“*Participation des salaries*” is included in “Administrative and general expenses”.

“Other costs” is included in “Administrative and general expenses”.

“Imputed cost of stock option and stock grant plans” is included in “Other non-operating expenses (income)”. The following paragraph “Personnel benefits” provides details of the stock option and stock grant plans.

The average number of Group employees, broken down by category, is shown in the table below:

(Number of employees)	2015	2014
Managers	99	105
Clerical staff	1,849	1,838
Blue collar workers	4,783	4,840
<b>TOTAL</b>	<b>6,731</b>	<b>6,783</b>

### ***Personnel benefits***

Sogefi S.p.A. implements stock-based incentive plans for the Managing Director of the Company and for employees of the Company and of its subsidiaries that hold important positions of responsibility within the Group. The purpose is to foster greater loyalty to the Group and to provide an incentive that will raise their commitment to improving business performance and generating value in the long term.

The stock-based incentive plans of Sogefi S.p.A. are first approved by the Shareholders' Meeting.

Except as outlined at the following paragraphs “Stock grant plans”, “Stock option plans” and “Phantom stock option plans”, the Group has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of equity. As a result, it is not necessary to disclose the fair value of such goods or services.

In addition to the plan issued in 2015, The Group has issued plans from 2005 to 2014 of which the main details are provided below.

### ***Stock grant plans***

The stock grant plans provide for the free assignment of conditional rights (called units) that cannot be transferred to third parties or other beneficiaries; each of them entitles to the free assignment of one Sogefi S.p.A. share. There are two categories of rights under these plans: Time-based Units, that vest upon the established terms and Performance Units, that vest upon the established terms provided that shares have achieved the target price value established in the regulation.

The regulation provides for a minimum holding period during which the shares held for the plan can not be disposed of.

All shares assigned under these plans will be treasury shares held by Sogefi S.p.A.. According to the regulation, a pre-condition for assigning the shares is a continued employer-employee relationship or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period of the rights.

On October 23, 2015, the Board of Directors executed the 2015 stock grant plan approved by the Shareholders' Meeting on April 20, 2015 to assign a maximum of



1,500,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 441,004 Units (190,335 of which were Time-based Units and 250,669 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on October 20, 2017 and ending on July 20, 2019.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as defined in the Regulation) at that date.

The fair value of the rights assigned during 2015 has been determined at the time the rights were assigned using the binomial option pricing model (so-called Cox, Ross and Rubinstein model) for US options and amounts to Euro 833 thousand overall.

Input data used for measuring the fair value of the 2015 stock grant plan are provided below:

- curve of EUR/GBP/SEK/CHF-riskless interest rates as of October 23, 2015;
- prices of the underlying (equal to price of Sogefi S.p.A. share as of October 23, 2015, and equal to Euro 2.206) and of the securities included in the benchmark basket, again as of October 23, 2015;
- standard prices of Sogefi S.p.A. share and of the securities included in the benchmark basket during the period starting on September 22, 2015 and ending on October 22, 2015 for the determination of the stock grant Performance Units limit;
- historical volatility rate of stock and exchange rates during 260 days, as of October 23, 2015;
- null dividend yield for stock grant valuation;
- historical series of the logarithmic returns of involved securities and EUR/GBP, EUR/SEK and EUR/CHF exchange rates to calculate the correlation among securities and among the three non-EUR denominated securities and associated exchange rates (to adjust for estimated trends), calculated for the period starting on October 23, 2014 and ending on October 23, 2015.

The main characteristics of the stock grant plans approved during previous years and still under way are outlined below:

- 2011 stock grant plan to assign a maximum of 1,250,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries, who were assigned a total of 757,500 Units (320,400 of which were Time-based Units and 437,100 Performance Units).

Time-based Units will vest in *tranches* on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2013 and ending on January 20, 2015.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the price value of shares at vesting date is at least equal to the percentage of the initial value indicated in the regulation.

- 2012 stock grant plan to assign a maximum of 1,600,000 conditional rights, restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries,

who were assigned a total of 1,152,436 Units (480,011 of which were Time-based Units and 672,425 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2014 and ending on January 31, 2016.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.

- 2013 stock grant plan to assign a maximum of 1,700,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 1,041,358 Units (432,434 of which were Time-based Units and 608,924 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2015 and ending on January 31, 2017.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.

- 2014 stock grant plan to assign a maximum of 750,000 conditional rights, restricted to employees of the Company and its subsidiaries, who were assigned a total of 378,567 Units (159,371 of which were Time-based Units and 219,196 Performance Units).

Time-based Units will vest in tranches on a three-monthly basis, accounting for 12.5% of their respective total, starting on April 20, 2016 and ending on January 20, 2018.

Performance Units will vest at the same vesting dates established for Time-based Units, provided that the increase in price value of Sogefi S.p.A. shares at each vesting date is higher than the increase of the Sector Index (as provided for by the Regulation) at that date.

The imputed cost for 2015 for existing stock grant plans is Euro 642 thousand, and is booked to the Income Statement under “Other non-operating expenses (income)”.

The following table shows the total number of existing rights with reference to the 2011-2015 plans:

	2015	2014
Not exercised/not exercisable at the start of the year	2,024,255	2,483,088
Granted during the year	441,004	378,567
Cancelled during the year	(409,398)	(504,125)
Exercised during the year	(177,989)	(333,276)
Not exercised/not exercisable at the end of the year	1,877,871	2,024,254
Exercisable at the end of the year	391,558	247,203

The line “Not exercised/not exercisable at the end of the period” refers to the total number of options, net of those exercised or cancelled during the current and previous years.

The line “Exercisable at the end of the period” refers to the total amount of options matured at the end of the period and not yet subscribed.

### *Stock option plans*

The stock option plans provide beneficiaries with the opportunity to exercise an option to subscribe to newly-issued Sogefi shares at a set price and within a specific period of time. According to the regulation, a pre-condition for exercising the option is a continued employer-employee relationship with or the continued appointment as a director/executive of the Company or one of its subsidiaries throughout the vesting period.

The main characteristics of the *stock option* plans approved during previous years and still under way are outlined below:

- 2006 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.49% of the share capital as of December 31, 2015) with a subscription price of Euro 5.87, to be exercised between September 30, 2006 and September 30, 2016;
- 2007 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 715,000 shares (0.6% of the share capital as of December 31, 2015) with an initial subscription price of Euro 6.96, to be exercised between September 30, 2007 and September 30, 2017. On April 22, 2008, the Board of Directors, under the authority vested in it by the Shareholders' Meeting, adjusted the exercise price from Euro 6.96 to Euro 5.78 to take into account the extraordinary portion of the dividend distributed by the Shareholders' Meeting on the same date;
- 2008 stock option plan restricted to employees of the foreign subsidiaries for a maximum of 875,000 shares (0.74% of the share capital as of December 31, 2015) with a subscription price of Euro 2.1045, to be exercised between September 30, 2008 and September 30, 2018;
- 2009 stock option plan restricted to employees of the Company and its subsidiaries for a maximum of 2,335,000 shares (1.97% of the share capital as of December 31, 2015) with a subscription price of Euro 1.0371, to be exercised between September 30, 2009 and September 30, 2019;
- 2009 extraordinary stock option plan restricted to beneficiaries of 2007 and 2008 phantom stock option plans, still employed by the Company or by its subsidiaries, after having waived their rights under the above-mentioned phantom stock option plans, for a maximum of 1,015,000 shares (0.86% of share capital as of December 31, 2015) of which 475,000 (first Tranche options) with a subscription price of Euro 5.9054, to be exercised between June 30, 2009 and September 30, 2017 and 540,000 (second Tranche options) with a subscription price of Euro 2.1045, to be exercised between June 30, 2009 and September 30, 2018;
- 2010 stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan and to employees of the Company and its subsidiaries for a maximum of 2,440,000 shares (2.06% of the share capital as of December 31, 2015) with a subscription price of Euro 2.3012, to be exercised between September 30, 2010 and September 30, 2020.

Please note that the 2005 stock option plan restricted to employees of the Company and its subsidiaries expired on September 30, 2015 as per relevant regulation.

The following table shows the total number of existing options with reference to the 2005-2010 plans and their average exercise price:

	12.31.2015		12.31.2014	
	Number	Average price of the year	Number	Average price of the year
Not exercised/not exercisable at the start of the year	4,863,937	3.26	6,534,500	3.06
Granted during the year	-	-	-	-
Cancelled during the year	(230,600)	5.00	(367,000)	4.30
Exercised during the year	(97,000)	1.49	(1,298,763)	1.94
Expired during the year	(345,600)	3.87	(4,800)	2.64
Not exercised/not exercisable at the end of the year	4,190,737	3.16	4,863,937	3.26
Exercisable at the end of the year	4,190,737	3.16	4,863,937	3.26

The line “Not exercised/not exercisable at the end of the period” refers to the total number of options, net of those exercised or cancelled during the current and previous years.

The line “Exercisable at the end of the period” refers to the total amount of options matured at the end of the period and not yet subscribed.

With reference to the options exercised during 2015, the average weighted price of the Sogefi share at the exercise dates is Euro 2.59.

Details of the number of options exercisable at December 31, 2015 are given below:

	Total
Number of exercisable options remaining at December 31, 2014	4,863,937
Options matured during the year	-
Options cancelled during the year	(230,600)
Options exercised during the year	(97,000)
Options expired during the year	(345,600)
Number of exercisable options remaining at December 31, 2015	4,190,737

#### *Phantom stock option plans*

Unlike traditional stock option plans, phantom stock option plans do not envisage the granting of a right to subscribe or to purchase a share, but entail paying the beneficiaries an extraordinary variable cash amount corresponding to the difference between the Sogefi share price in the option exercise period and the Sogefi share price at the time the option was awarded.

In 2009, as shown in the paragraph entitled “Stock option plans”, the Holding Company gave the beneficiaries of the 2007 and 2008 phantom stock option plans the opportunity to waive the options of the above-mentioned plans and to join the 2009 extraordinary stock option plan.

The main characteristics of existing plan under way in 2015 are as follows:

- 2007 phantom stock option plan restricted to the Director who filled the post of Managing Director of the Holding Company at the date of issue of the relevant plan, managers and project workers of the Holding Company and to managers of Italian subsidiaries, for a maximum of 1,760,000 options at the initial grant price of Euro 7.0854, adjusted to Euro 5.9054 in 2008, to be exercised between September 30, 2007 and September 30, 2017. Following subscription to the 2009 extraordinary stock option plan, 475,000 options were waived.

Details of the number of phantom stock options as of December 31, 2015 are given below:

	12.31.2015
Not exercised/not exercisable at the start of the year	840,000
Granted during the year	-
Cancelled during the year	-
Exercised during the year	-
Not exercised/not exercisable at the end of the year	840,000
Exercisable at the end of the year	840,000

The fair value as of December 31, 2015 of the rights awarded was calculated using the Black-Scholes method and amounts to Euro 8 thousand (it equalled zero at the end of 2014).

### 30. RESTRUCTURING COSTS

Restructuring costs amount to Euro 6,915 thousand (compared with Euro 16,195 thousand the previous year) and mainly relate to the Holding Company Sogefi S.p.A., to subsidiary Sogefi Filtration do Brasil Ltda for the relocation of the São Paulo production site to Atibaia, and to subsidiaries Filtrauto S.A. and Systèmes Moteurs S.A.S. for reorganising clerical employees.

“Restructuring costs” relate for the most part to personnel costs and are made up of the accruals to the “Provision for restructuring” (Euro 1,095 thousand, net of provisions made during the previous years and not utilised) and for the remaining part (Euro 5,820 thousand) of costs incurred and paid during the year.

### 31. LOSSES (GAINS) ON DISPOSAL

Net gains amount to Euro 1,597 thousand (net gains for Euro 66 thousand as at December 31, 2014), Euro 1,541 thousand of which relate to the sale by subsidiary Sogefi Rejna S.p.A of the suspension business unit for the aftermarket.

### 32. EXCHANGE (GAINS) LOSSES

Net exchange losses as of December 31, 2015 amounted to Euro 3,590 thousand (Euro 618 thousand as of December 31, 2014). Such differences are mainly attributable to the depreciation of the Argentine Peso and Brazilian real against the Euro.

The item includes approximately Euro 1.6 million relating to intercompany financial positions designated in Brazilian Real held by European companies and approximately Euro 1.4 million reflecting the debt exposure for the intercompany trade payables in Euro of Argentinian subsidiaries and for trade payables in USD towards third parties. Please note that the main outstanding intercompany trade and financial positions were closed in December 2015.

### 33. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to Euro 32,373 thousand compared with Euro 24,769 thousand the previous year. The following table shows the main elements:

(in thousands of Euro)	2015	2014
Indirect taxes	8,435	7,672
Other fiscal charges	3,423	3,828
Cost of stock option and stock grant plans	642	852
Other non-operating expenses (income)	19,873	12,417
TOTAL	32,373	24,769

(\*) The reclassification of certain cost items was reviewed in 2015. The following 2014 balances were reclassified to allow for a comparison:

- Euro 5,400 thousand were reclassified from “Variable sales and distribution costs” to “Other non-operating expenses (income)” reflecting an allocation made to Provision for product warranties;

“Indirect taxes” include tax charges such as property tax, taxes on sales revenues (*taxe organic* of the French companies), non-deductible VAT and taxes on professional training.

“Other fiscal charges” consist of the *cotisation économique territoriale* (previously called *taxe professionnelle*) relating to the French companies, which is calculated on the value of fixed assets and on added value.

The main components of “Other non-operating expenses (income)” are as follows:

of which non-recurring

- costs relating to the shutdown of the Lieusaint plant of subsidiary Allevard Rejna Autosuspensions S.A., which took place in 2014, for the amount of Euro 417 thousand;
- product quality and warranty costs for the amount of Euro 15,725 thousand, Euro 11,800 thousand of which reflect pending “Claims” relating to subsidiary Systèmes Moteurs S.A.S. as outlined at paragraph 19.

of which recurring

- writedowns of tangible and intangible fixed assets for the amount of Euro 357 thousand;
- penalty for the early termination of certain lease and logistical service agreements by subsidiaries Sogefi Rejna S.p.A. and Sogefi Filtration Ltd totalling Euro 592 thousand;
- provisions for environmental activities and material scrapped after a fire in subsidiary United Springs S.a.S. for the amount of Euro 193 thousand;
- provisions for a dispute under way in subsidiary Sogefi Filtration Ltd for the amount of Euro 690 thousand;
- actuarial losses in the amount of Euro 164 thousand relating to “Other long-term benefits – Jubilee benefit” in the French subsidiaries;
- allocations to provisions for legal disputes with employees and third parties in several subsidiaries totalling Euro 979 thousand;
- pension costs for employees no longer on the books of Allevard Federn GmbH for the amount of Euro 90 thousand;
- penalty for tax disputes concerning indirect taxes for Euro 178 thousand mainly relating to subsidiaries Sogefi Engine Systems Canada Corp. and Sogefi Engine Systems Usa Inc.;
- other recurring costs for the amount of Euro 488 thousand.

#### 34. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are detailed as follows:

(in thousands of Euro)	2015	2014
Interests on bonds	12,823	9,671
Interest on amounts due to banks	9,080	10,791
Financial charges under lease contracts	663	719
Financial component of pension funds and termination indemnities	1,431	925
Loss on interest-bearing hedging instruments	4,279	3,935
Loss on anticipated closing of IRS contracts	-	1,913
Net loss on fair value derivatives not in cash flow hedge	400	3,944
Other interest and commissions	7,359	9,907
<b>TOTAL FINANCIAL EXPENSES</b>	<b>36,035</b>	<b>41,805</b>

Financial income is detailed as follows:

(in thousands of Euro)	2015	2014
Gain on Cross currency swap in cash flow hedge	1,184	158
Gain on interest-bearing hedging instruments	-	31
Interest on amounts given to banks	411	723
Fair value of the embedded derivative (call option)	1,450	13,960
Other interest and commissions	212	115
<b>TOTAL FINANCIAL INCOME</b>	<b>3,257</b>	<b>14,987</b>
	-	-
<b>TOTAL FINANCIAL EXPENSES (INCOME), NET</b>	<b>32,778</b>	<b>26,818</b>

“Financial expenses, net” show an increase of Euro 5,960 thousand, of which Euro 12,510 thousand reflect lower gains on the fair value of the conversion option associated with the convertible bond “€ 100.000.000 2 per cent. Equity Linked Bonds due 2021” outlined in Note 19.

This negative effect is partly offset by non-recurring expenses incurred in the previous year as a result of financial debt restructuring transactions. More specifically, Euro 3,337 thousand reflect the difference between the amount paid and the net book value of the loans redeemed early, and Euro 1,913 thousand arise from the termination of IRS contracts in connection with redeemed loans. Net expense was also lower (Euro 3,544 thousand) thanks to a lower change in the fair value of derivatives no longer accounted for as cash flow hedges.

Please note that item “Change in fair value measurement of derivative not in cash flow hedge” is comprised of:

- a financial charge of Euro 2,930 thousand reflecting the portion of the reserve previously booked to Other Comprehensive Income that will be reclassified to Income Statement over the same period of time expected for the differentials relating to the former underlying hedged item;
- a financial income of Euro 2,530 thousand reflecting the change in fair value compared with December 31, 2014.

### 35. *LOSSES (GAINS) FROM EQUITY INVESTMENTS*

As at December 31, 2015, there are no losses from equity investments.

### 36. *INCOME TAXES*

(in thousands of Euro)	2015	2014
Current taxes	11,366	19,115
Deferred tax liabilities (assets)	305	(6,057)
Gain (loss) from participation to fiscal consolidation	1,242	-
<b>TOTAL</b>	<b>12,913</b>	<b>13,058</b>

The year 2015 recorded a tax rate of 71.9% compared to 60.9% in the previous year.

A reconciliation between the standard tax rate (that of the Holding Company Sogefi S.p.A.) and the effective tax rate for 2015 and 2014 is shown in the table below. Taxes have been calculated at the domestic rates applicable in the various countries. The differences between the rates applied in the various countries and the standard Italian tax rate are included in the line “Other permanent differences and tax rate differentials”.



(in thousands of Euro)	2015		2014	
		Tax rate %		Tax rate %
Result before taxes	17,964	27.5%	21,453	27.5%
Theoretical income taxes	4,940		5,900	
<i>Effect of increases (decreases) with respect to the standard rate:</i>				
Statutory amortisation of goodwill				
Non-deductible costs, net	2,583	14.4%	(878)	-4.1%
Use of deferred tax assets not recognised in previous years	(6,421)	-35.7%	(2,430)	-11.3%
Deferred tax assets on losses for the year not recognised in the financial statements	5,943	33.0%	7,068	33.0%
Taxed portion of dividends	200	1.1%	2,615	12.2%
Other permanent differences and tax rate differentials	5,668	31.6%	783	3.6%
Income taxes in the consolidated income statement	12,913	71.9%	13,058	60.9%

Item “Non-deductible costs, net” includes approximately Euro 2.7 million reflecting non-deductible costs incurred when the French subsidiaries and the Holding Company Sogefi S.p.A. waived receivables owed by the indirectly controlled Argentinian subsidiaries.

The item “Use of deferred tax assets not recognised in previous years” mainly relates to subsidiaries Allevard Sogefi USA Inc., Sogefi Filtration Ltd and Sogefi M.N.R. Engine Systems India Pvt Ltd.; use of past losses for which no deferred tax assets had been recognised in previous years resulted in no taxes being posted on the positive results of these companies.

“Deferred tax assets on losses for the year not recognised in the financial statements” are mainly attributable to subsidiaries Sogefi Filtration do Brasil Ltda, S.A.R.A Composite S.A.S., Allevard Rejna Autosuspensions S.A. and Sogefi (Suzhou) Auto Parts Co., Ltd, for which there was no probability at the end of the year that such losses would be recovered.

The “Taxed portion of dividends” refers to the portion of dividends received from Group companies that is not tax-exempt and to the taxes on dividends paid by the French subsidiaries.

Item “Other permanent differences and tax rate differentials” includes a liability of Euro 1,242 thousand for the Holding Company Sogefi S.p.A. arisen when the CIR Group transferred its tax surplus, Euro 571 thousand reflecting the different tax rate applied to subsidiary Sogefi Filtration Ltd, and approximately Euro 2,900 thousand relating to the writedown of deferred tax assets booked by subsidiaries Sogefi Filtration do Brasil Ltda and Allevard Rejna Argentina S.A.in previous years deemed to be no longer recoverable.

### 37. DIVIDENDS PAID

No dividends were paid to the Holding Company shareholders during the year 2015. Dividends paid to non-controlling interests amounted to Euro 4,341 thousand.

The Holding Company Sogefi S.p.A. did not issue any shares other than ordinary shares; treasury shares are always excluded from the dividend.

### 38. EARNINGS PER SHARE (EPS)

#### Basic EPS

	2015	2014
Net result attributable to the ordinary shareholders (in thousands of Euro)	1,120	3,639
Weighted average number of shares outstanding during the year (thousands)	115,264	114,713
Basic EPS (Euro)	0.010	0.032

#### Diluted EPS

The Company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the *stock options* granted to Group employees.

	2015	2014
Net result attributable to the ordinary shareholders (in thousands of Euro)	1,120	3,639
Average number of shares outstanding during the year (thousands)	115,264	114,713
Weighted average number of shares potentially under option during the year (thousands)	2,868	3,146
Number of shares that could have been issued at fair value (thousands)	(2,136)	(1,654)
Shares arising from the potential conversion of the convertible loan	18,572	18,572
Adjusted weighted average number of shares outstanding during the year (thousands)	134,568	134,777
Diluted EPS (Euro)	0.008	0.027

The “Weighted average number of shares potentially under option during the year” represents the average number of shares that are potentially outstanding under *stock option* plans (only for potentially dilutive options, i.e. with an exercise price lower than the average annual *fair value* of the ordinary shares of Sogefi S.p.A.), for which the subscription right has vested but has not yet been exercised at the end of reporting period. These shares have a potentially dilutive effect on basic EPS and are therefore taken into consideration in the calculation of diluted EPS.

The “Number of shares that could have been issued at *fair value*” represents the normalisation factor, being the number of shares that would have been issued dividing the proceeds that would have been received from subscription of the *stock options* by the average annual *fair value* of the Sogefi S.p.A. ordinary shares, which amounted to Euro 2.5133 in 2015, compared to Euro 3.5350 in 2014.

Please note that 1,821,304 shares that could dilute basic EPS in the future were not included in the calculation of diluted EPS for 2015 because their exercise price is higher than the average annual *fair value* of the ordinary shares of Sogefi S.p.A. in 2015.